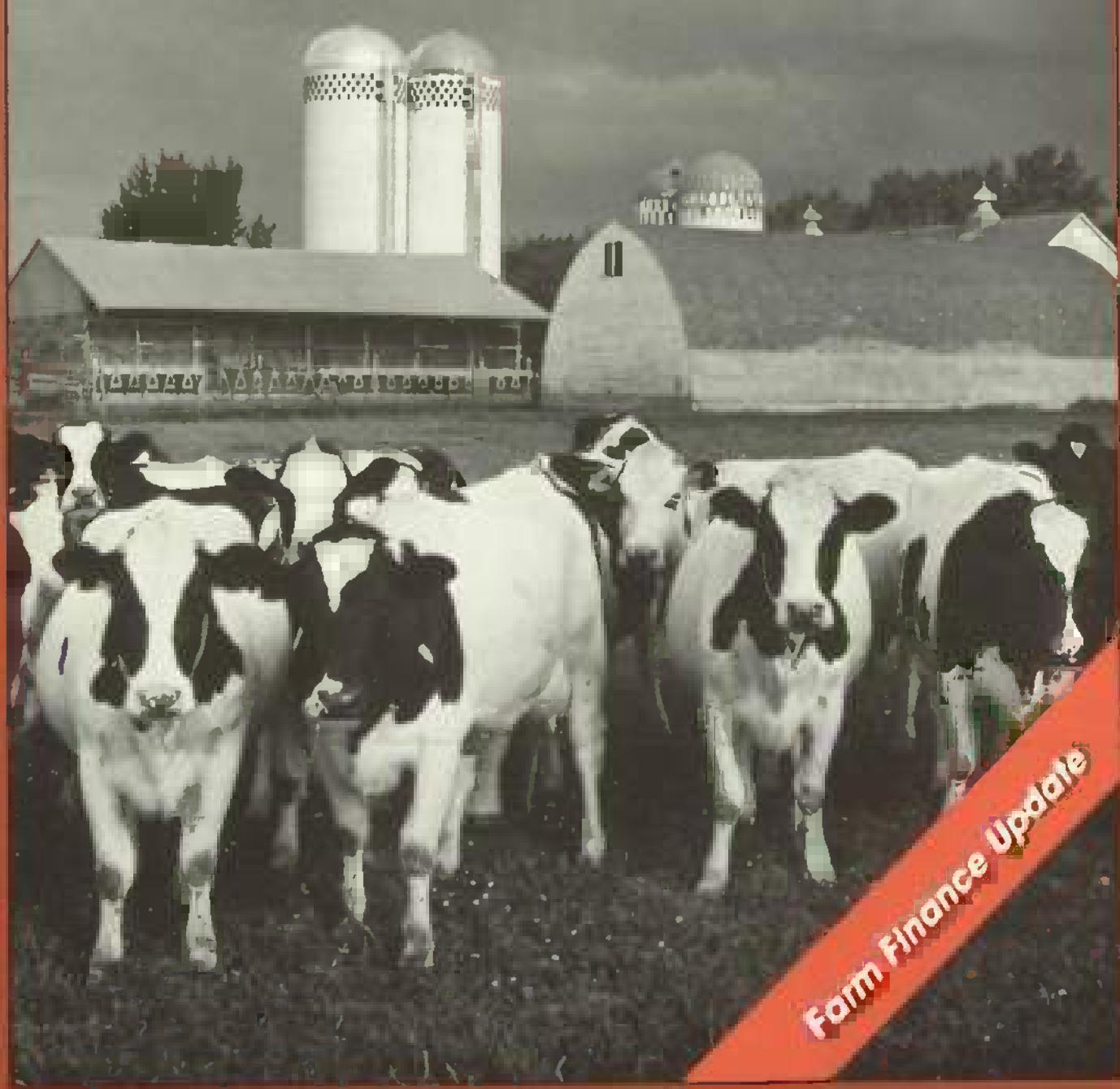


AGRICULTURAL OUTLOOK

September 1986

Economic Research Service
United States Department of Agriculture



Farm Finance Update

AGRICULTURAL OUTLOOK

September 1986/AO-123



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Contents of this report have been approved by the World Agricultural Outlook Board, and the summary was released August 19, 1986. Materials may be reprinted without permission. Agricultural Outlook is published monthly, except for the January/February combined issue. Price and quantity forecasts for crops are based on the August 12 World Agriculture Supply and Demand Estimates.

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The next issue of Agricultural Outlook (AO-124) is scheduled for mailing on October 3, 1986. If you do not receive AO-124 by October 17, call the Managing Editor (be sure to have your mailing label handy). The full text and tables of AO-124 will also be available electronically. For more information, write ERS/USDA, 1301 New York Avenue, N.W., Room 228, Washington, D.C. 20005-4789, or call (202) 786-1494.

In Brief . . . Milk Production Technology and Conservation Reserve Signup

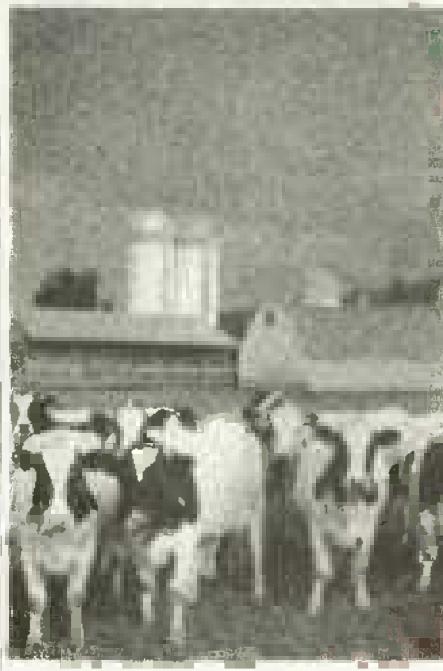
U.S. agriculture is continuing its transition to the new policies of the 1985 farm act. Since January, wheat and corn prices have dropped about 25 percent, soybean prices are down about 20 cents, and rice and cotton prices have dropped more than half. The lower prices are leading to increased export sales. But burdensome U.S. stocks of feed grain and soybeans will probably grow even larger during 1986/87, while wheat stocks are not likely to fall substantially.

Total domestic output for most of the ten major field crops will be less this season than in recent years. For most crops, declines resulted from reduced plantings brought about by increased participation in commodity programs.

The season-long drought in the Southeast and, to a lesser extent, the hot, dry weather that developed at midseason in the Delta, Kentucky, and Tennessee, had a severe effect on regional crop production. But for most major field crops, particularly food and feed grains, the regional adverse weather has had a negligible national impact.

Growing conditions were good to excellent through mid-August in the Midwest and Northern Plains, where the bulk of the U.S. corn, soybean, and spring wheat crops is grown. Consequently, above-average production in these regions is offsetting losses due to the drought.

Bovine growth hormone (bGH) is a technological breakthrough that could increase milk production greatly. In test herds, yield increases of 7 to 28 percent annually have been observed. At milk prices of about \$12.50 per cwt, at least a 6-percent increase in production would be needed to make use profitable. Though bGH has not yet received FDA approval for commercial use, its adoption could mean fewer cows and dairy farmers needed. Lower milk prices might then result from increased supplies and lower production costs.



Net cash income for the farm sector in 1986 is forecast at \$43 to \$47 billion, little changed from the record-high \$44.0 billion in 1985. Direct payments to the farm sector will total a record \$10 to \$13 billion in 1986, and net CCC loans will add another \$8 to \$12 billion. The 5- to 7-percent decline in 1986 farm production expenses will lower cash expenses to the 1980 level.

Part of U.S. agriculture's financial situation is bleak, but fruit and vegetable farmers are thought to be prospering. Prices for most fruits and vegetables have not fallen the way wheat, corn, and soybean prices have. Fresh produce consumption has been growing, and fruit and vegetable farmers are less dependent than grain farmers on the vagaries of export markets.

Argentina and Brazil are adopting divergent agricultural policies which may affect U.S. exports. Argentina is the world's second largest exporter of grains, oilseeds, and oilseed products, but currently uses only a fraction of its production potential. If taxes on agricultural exports are eliminated and investments in the marketing

infrastructure are increased, Argentina could boost its exports substantially by 1990. However, low world grain prices could dampen increases.

On the other hand, changes in Brazilian agricultural policy favor increased stock holding and are shifting Government incentives away from export crops. Brazil's actions may result in its losing some share of the world market in soybeans and products. However, this will probably be offset by higher domestic food-crop production, resulting in smaller grain imports.

Two major factors set the stage for faster economic growth in 1986: a declining dollar and falling interest rates. By the end of 1985, the dollar had fallen 20 percent against a basket of currencies, and against some individual currencies the decline was even more dramatic. The declines tended to make imported goods more expensive to U.S. consumers, while making U.S. goods less expensive to foreigners. The result should have been falling imports and rising exports, which in turn should have spurred U.S. production and employment.

However, the first half of 1986 simply did not conform to the pattern most analysts expected. Industrial production declined 1.8 percent, capacity utilization declined 2.6 percentage points, and employment grew only slowly.

The Conservation Reserve Program has enrollment goals of 5 million acres during the 1986 crop year and 40 to 45 million acres by 1990, but only 3.8 million acres were signed up in March and May. Enrollment in the reserve will likely accelerate during subsequent signups as farmers become better informed about the program and the range of bids acceptable. Experience with the Soil Bank Program of the 1950's suggests that the CRP goal of 40 to 45 million acres can be met.



Agricultural Economy

U.S. agriculture is continuing its transition to the new policies of the 1985 farm act. Since January, wheat and corn prices have dropped about 25 percent, soybean prices are down about 20 cents, and rice and cotton prices have dropped more than half. The lower prices are leading to increased export sales. But burdensome U.S. stocks of feed grain and soybeans will probably grow even larger during 1986/87, while wheat stocks are not likely to fall substantially.

The 1985 Food Security Act is designed to boost the U.S. share of export markets by allowing prices for major program commodities to drop to competitive levels. Without U.S. loan rates propping up world prices, there will be less incentive for foreign production. At the same time, U.S. production is being limited by annual acreage reduction programs and the long-term conservation reserve program. Lower U.S. crop prices could also boost domestic feed use, as livestock, poultry, and dairy producers respond to cheaper production costs.

It will take time for the new programs to work. U.S. exports are beginning to recover, but the increases for feed grains and soybeans will probably not be enough to reduce ending stocks in 1986/87 (table 17). Foreign production of wheat, rice, and soybeans is expected to rise, not fall, during 1986/87 (table 25). And U.S. feed use

1986/87 Wheat and Corn Beginning Stocks

Crop	Total	Farmer-owned reserve	CCC inventory	Outstanding loans and special programs	Free stocks
Million bushels					
Wheat	1,900	433	602	841	24
Corn	4,013	550	600	2,750	113

Forecast Results of the New Farm Bill During 1986/87

Crop	Level of price support 1/	Percent change from 1985/86 Production	Exports	Ending stocks
Wheat	-30	-11	26	-3
Corn	-28	-6	27	34
Soybeans	n.a.	-6	1	14
Rice	-55	-8	45	-17
Cotton	-61	-20	220	-26

1/ Wheat: \$3.30 to \$2.30; corn: \$2.55 to \$1.84; soybeans: not announced; rice: \$8.00 to \$3.60 (\$3.60 = 50 percent of \$7.20 loan rate); cotton: \$.573 to \$.224 (\$.224 = announced world price as of August 1. USDA does not forecast cotton prices).

during 1986/87 is likely to be about the same as 1985/86, since meat supplies are expected to remain high while dairy program adjustments continue.

The crops most likely to benefit first from new programs are cotton and rice. Exports of both are rising rapidly, production is falling, and stocks are being reduced. The common factors are relative certainty about the programs and competitive prices.

Cotton and Rice Programs

Determined by Law

The Secretary of Agriculture is required to estimate the world prices of rice and cotton, and then implement those programs to ensure that U.S. prices are competitive with world prices. Consequently, the policy outlines of the rice and cotton programs are relatively clear.

On the other hand, traders have been less certain about the wheat, feed grain, and soybean programs, since the authority to allow below-loan-rate repayment of loans for those commodities is discretionary. Even though policies have been announced, the existence of discretionary authority has led to speculation over policy direction, and traders have been reluctant to take market positions.

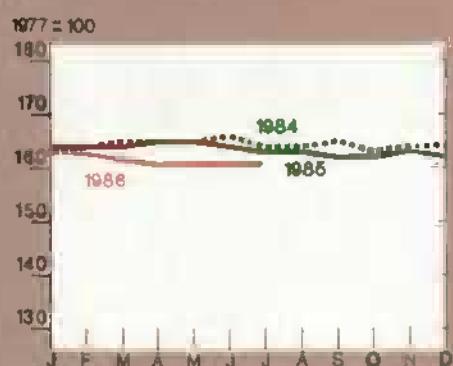
Another reason rice and cotton export sales are much above a year ago is that the farm act places no floor under 1986-crop cotton prices, and the floor under rice prices is only 50 percent of the \$7.20-per-cwt. average loan rate. For wheat, feed grain, and soybeans, the 1986/87 loan rates are lower than in 1985/86, but the loans must be repaid in full when being redeemed, unless commodity certificates are used. As a result, some support under U.S. prices still exists.

A factor affecting U.S. wheat sales is that only about 1 percent of wheat stocks on June 1 were not in reserve, Government inventory, or used as collateral for loans. In contrast, free stocks of corn are expected to total about 3 percent of total stocks when the marketing year begins September 1. The amount of grain available to the market is being boosted by the new-crop harvest and in-kind payments (generic certificates) from the Government. Still, U.S. wheat prices remain near the Gramm-Rudman-Hollings adjusted loan rate, while corn prices will probably be well below the loan rate when the corn year begins.

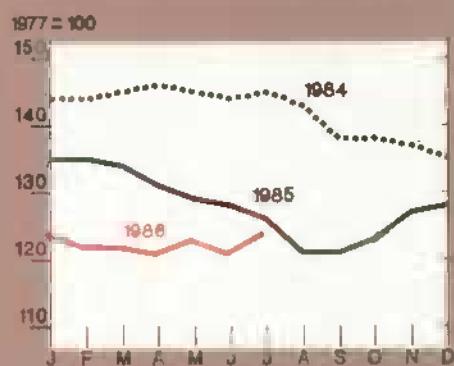
A fourth factor affecting U.S. exports is growing foreign supplies. Even though foreign consumption is rising, the ratios of supply to use in foreign countries are expected to remain high during 1986/87.

Prime Indicators of the U.S. Agricultural Economy

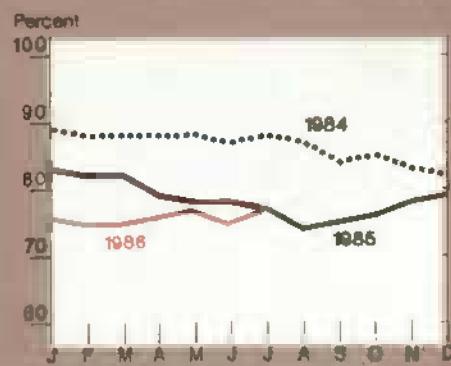
Index of prices paid by farmers¹



Index of prices received by farmers²



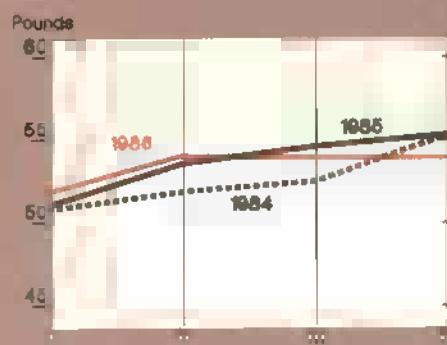
Ratio of prices received to prices paid



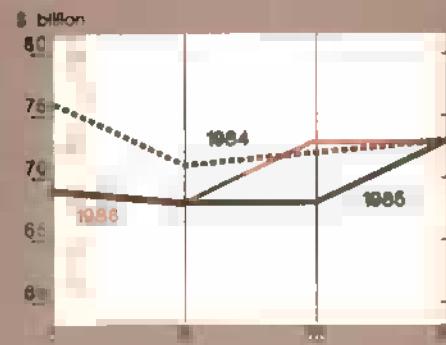
Red meat & poultry³
production



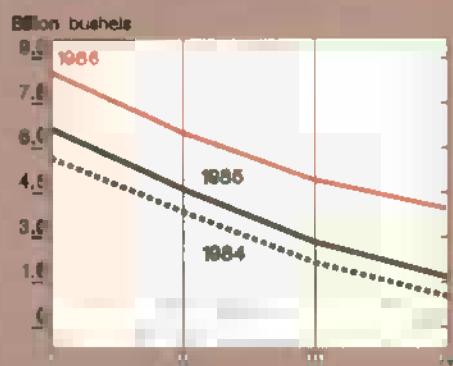
Red meat & poultry
consumption, per capita^{3,4}



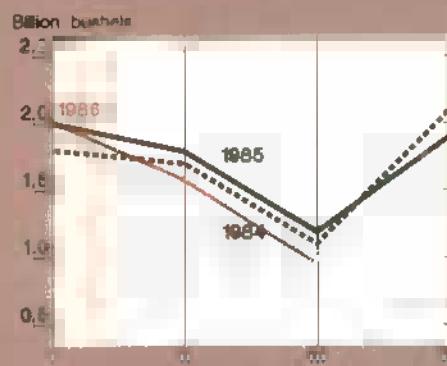
Cash receipts from
livestock & products⁵



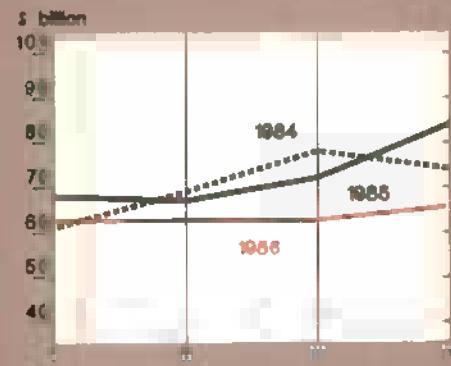
Corn beginning stocks⁶



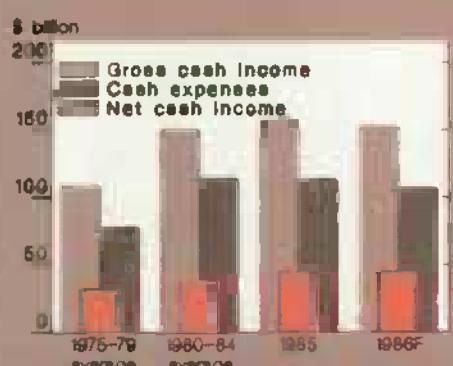
Corn disappearance⁶



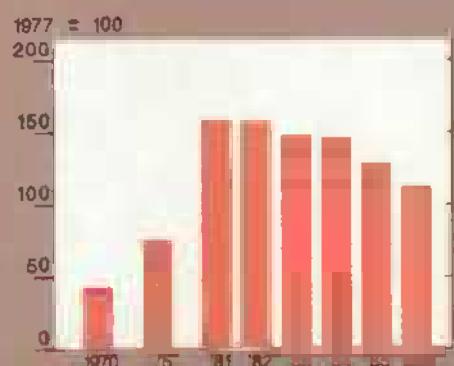
Cash receipts from crops⁶



Farm net cash income



Farm real estate values



Farm value/retail food costs



¹For commodities and services, interest, taxes, and wages. Beginning in 1986, data are only available quarterly.

²For all farm products.

³Calendar quarters. Future quarters are forecasts for livestock, corn, and cash receipts. ⁴Retail weight. ⁵Seasonally adjusted annual rate.

⁶Dec.-Feb.; II=Mar.-May; III=June-Aug.; IV=Sept.-Nov.

Wheat and Corn Prices

	Loan rate 1/ 1986/87	Prices
	Dollars per bushel	
Wheat	2.30	2.29 2/
Corn	1.84	1.64 3/

1/ Includes 4.3 percent Gramm-Rudman-Hollings reduction. 2/ Average farm price for all wheat during first-half July. 3/ Average closing price of the September futures contract in Chicago, August 1-19.

The forecast 26- to 220-percent export increases for grains and cotton during 1986/87 represent a greater first-year response to price changes than might normally be expected to occur. However, before U.S. exports of wheat, feed grains, and soybeans can rise enough to lower stocks, the difference between foreign supply and foreign use must widen. Several years of low commodity prices and greater certainty about U.S. policies will be required to achieve those export goals. (Terry Townsend (202) 786-3313)

LIVESTOCK HIGHLIGHTS

Cattle

Cattle numbers on July 1, at 112.2 million head, were 4 percent below a year ago and the lowest since the midyear series began in 1973. Increased cow slaughter and low heifer retention resulted in the total cow herd declining 3 percent, with the beef and dairy herds declining 3 and 2 percent, respectively.

Through early July, the year's cumulative weekly dairy cow slaughter was 35 percent above a year ago. Beef cow slaughter was 3 percent below the same period. Although overall beef cow slaughter has declined, as a proportion of the beginning-cow inventory it is above a year ago.

While expansion is not indicated, there are signs that the cattle inventory may stabilize at about 100 to 101 million head in January 1987. The number of beef heifers being retained for possible herd expansion was 2 percent below a year ago, but the rate of decline was well below 1985's 11 percent.

The estimated 1986 calf crop dropped 2 percent to 40.1 million head, the lowest since 1960 and the sixth con-

secutive year of decline. Calves available to go on feed for stocker operations or slaughter were down 4 percent, while the yearling supply fell 1 percent.

Cattle on feed in the 13 quarterly reporting States on July 1 were down 8 percent from a year earlier, and the lowest for the date since 1975. Fed cattle marketings in the second quarter were about unchanged from the large level of spring 1985. Second-quarter placements were the smallest for the quarter since 1972.

Feedlots are current in their marketings, and while cattle on feed are down 8 percent, producers expect marketings this summer to decline only 5 percent from last summer. July placements rose 43 percent from last July's record low levels. Cattle on feed on August 1 were down 1 percent from a year ago. This was the second lowest inventory since the series began in 1972.

Cattle continue to remain on pasture longer, and are placed on feed at heavier weights. Marketing weights are expected to remain heavy, although below 1985's record levels. Slaughter weights declined this spring from last year's record. Although feeder cattle supplies are down, there are a high

number of yearlings coming off very good weight gains on grass in most areas. These will continue to support large fed cattle marketings through much of 1987.

Effects of the Dairy Termination Program (DTP) on beef production in second-half 1986 will diminish as dairy cow slaughter declines. Beef production this summer may be about the same as a year ago. However, continued heavy meat purchases for domestic and export use (to offset the impact of increased DTP beef production) will likely reduce beef supplies available for "normal" domestic consumption by 1 to 3 percent, especially with the large export sales to Brazil.

Fourth-quarter production is likely to drop about 5 percent as nonsed slaughter, particularly of dairy cows, drops sharply. Beef cow slaughter has already declined, as forage conditions in most areas are very favorable. If recent rains and cooler temperatures in the Southeast continue, pasture growth for fall and winter grazing should result in further slaughter reductions in this area.

Producers are likely to reduce beef cow culling as stocker-feeder prices

Cattle Inventory on July 1

Class	1984	1985	1986	1986/85 Percent change	1,000 head	
Cattle and calves	121,500	116,300	112,200	-3.5		
Cows and heifers that have calved	48,700	46,300	45,000	-2.8		
Beef cows	37,900	35,250	34,150	-3.1		
Milk cows	10,800	11,050	10,850	-1.8		
Heifers 500 lb. and over	18,500	18,200	17,500	-3.8		
For beef cow replacement	5,500	4,900	4,800	-2.0		
For milk cow replacement	4,950	5,000	4,700	-6.0		
Other heifers	8,050	8,300	8,000	-3.6		
Steers 500 lb. and over	16,400	15,900	15,300	-3.8		
Bulls 500 lb. and over	2,500	2,300	2,200	-4.4		
Heifers, steers, and bulls under 500 lb.	35,400	33,600	32,200	-4.2		
Calf crop 1/	42,500	41,045	40,100	-2.3		

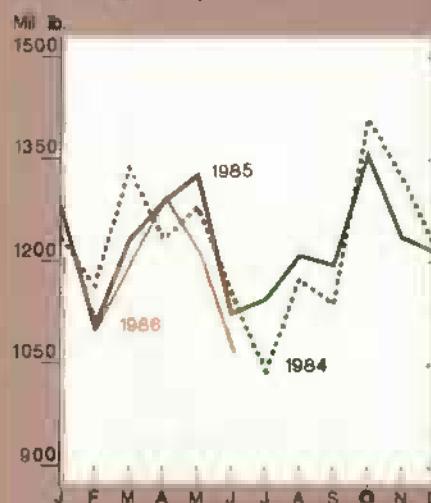
1/ For the current year, the calf crop is the number of calves born before July 1 plus the number expected to be born on and after July 1.

Production of Livestock and Products

Commercial beef production



Commercial pork production



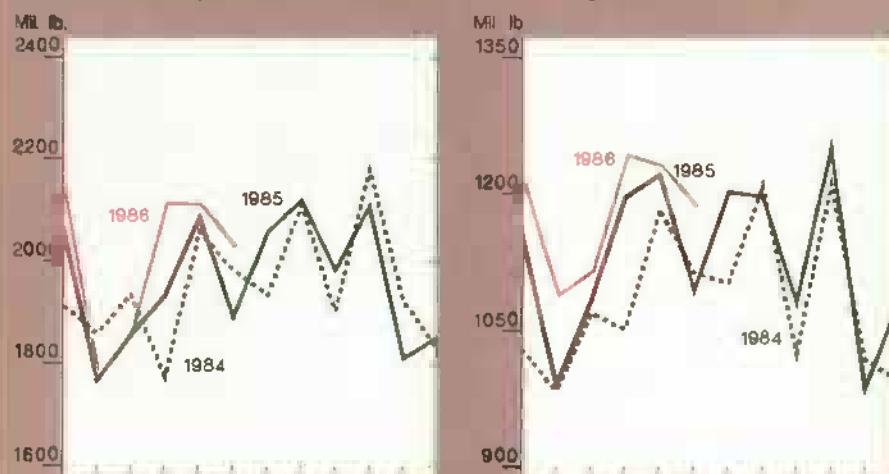
¹Federally inspected slaughter, certified

strengthen. Good-to-excellent grazing conditions in most areas could encourage more fall and over-winter grazing programs, particularly for lighter-weight stocker cattle. In addition, feeders' demand for these cattle will increase as cattle prices rise and grain prices decline. Both these factors increase the price for the reduced supply of feeder cattle.

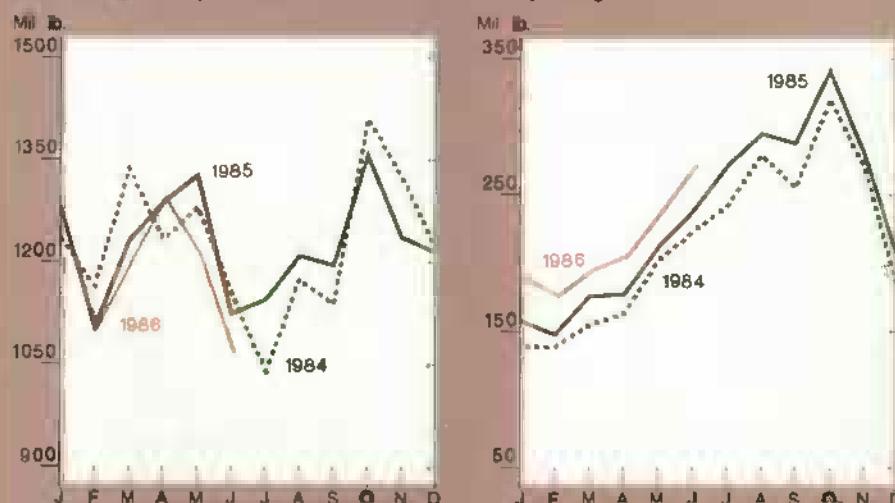
Beef production is expected to decline about 6 percent in 1987. Fed cattle marketings will remain large, keeping slaughter weights high. All the supply reduction will result from reduced nonfed cattle slaughter, particularly of dairy cows.

However, total red meat and poultry supplies are likely to remain near record levels. Large supplies of rela-

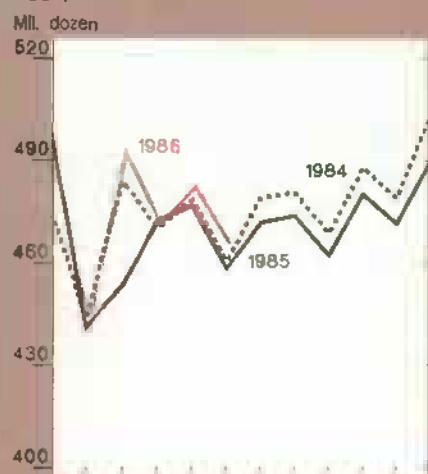
Broiler slaughter¹



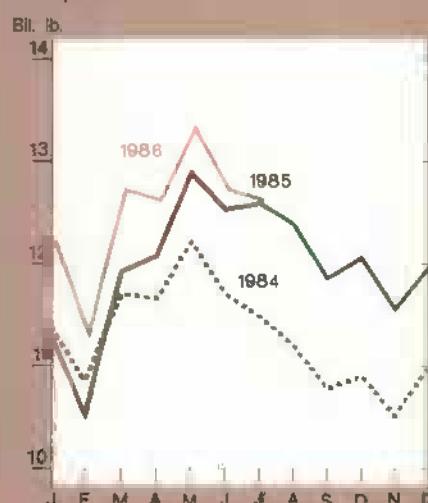
Turkey slaughter¹



Egg production



Milk production



tively lower-priced competing meats, particularly poultry, will hold down price gains for the higher priced beef. Choice fed steers at Omaha may average in the lower- to mid-\$60's next year, while yearling feeder steers average in the mid-to-upper-\$60's. Utility cow prices may average in the low \$40's, as nonfed beef slaughter for hamburger and processed meat products declines. *(Ronald Gustafson (202) 786-1830)*

Hogs

The hog-corn price ratio averaged 30 to 1 in July, the highest monthly average since records were established in 1909 and up sharply from June's 22 to 1. Generally, a hog-corn ratio of 22-23 to 1 would cover total costs for an average farrow-to-finish operation. A

higher ratio usually signals an expansion of the breeding herd, leading to increased feed grain consumption and increased pork production 3 to 4 quarters later.

However, the high percentage of sows in early July's total slaughter suggests that producers are not responding immediately to the higher returns or the favorable outlook for the remainder of the year. Current projections are that the hog-corn ratio will exceed the breakeven level for the remainder of 1986 and at least the first half of 1987.

The high percentage of sows in total slaughter may suggest that producers are taking advantage of relatively

high sow prices to generate cash flow, or that some producers are leaving the industry. For example, a sow weighing 470 pounds selling for \$51 per cwt would bring in \$96 more than a gilt weighing 235 pounds at \$61 per cwt.

Hog prices averaged about \$61 per cwt in July and may remain near that level through most of August, when pork production is seasonally low. In September, when production increases seasonally, prices may fall to the mid-\$50's. The high prices are due to a reduced rate of slaughter, low stocks of frozen pork, and lower imports of pork products and live hogs.

Higher poultry production is tempering further hog price gains. Prices are expected to average \$56 to \$60 in the third quarter, then drop slightly as production picks up this fall. In the fourth quarter, prices are expected to average \$53 to \$57 per cwt at the 7 major markets.

Hog prices are projected to average in the low to mid-\$50's in 1987, compared to near \$50 in 1986. Red meat supplies may be moderately lower, strengthening hog prices. However, poultry production is expected to continue its long-term rise, tempering any hog price increases.

Pork imports totaled 526 million pounds, carcass weight, during first-half 1986, down 12 percent from a year ago. Canada, the United States' largest supplier, increased its exports by 17 million or 8 percent. The Canadian dollar was slightly weaker against the U.S. dollar than a year ago during first-half 1986.

The United States' second largest pork supplier, Denmark, reduced its U.S. exports by 68 million pounds, 28 percent. The Danish kroner has appreciated sharply against the dollar in recent months. However, the EC recently increased its export subsidies, which may moderate the decline in exports to the United States.

Live hogs imported from Canada totaled 0.2 million head during January-June 1986, down 72 percent from a year ago. Countervailing duties of \$Can4.386 per cwt were levied last summer. For all of 1986, hogs imported from Canada may total 500,000 to 700,000 head. Recently, hog imports from Canada have climbed because of the sharp rise in U.S. hog prices.

Ratio Of Hog to Corn Prices Now Favors Herd Expansion



Pork exports during the first half of 1986 totaled 44 million pounds, 39 percent below last year. Shipments to Japan are up 67 percent to 22 million pounds, because of lower prices from a declining dollar. Mexico, however, has cut purchases to 2 million from 1985's 24 million. [Leland Southard (202) 786-1830]

Broilers

Broiler meat output from federally inspected plants in second-quarter 1986 was up 4 percent from 1985. Based on the hatch of broiler-type chicks, output in the third quarter may be 4 percent above 1985.

Producers will likely continue to make money during 1986 and into 1987. Third-quarter profits have been very favorable for producers outside areas affected by high temperatures. Feed prices are dropping as new loan rates become effective. Thus, broiler production costs could stay near 1985 levels, and with stronger prices, net returns will improve.

Consequently, fourth-quarter output may expand by 6 percent from 1985. This level would still be below the second-quarter high, so limits on growout capacity will not pose problems. In the first quarter of 1987, producers may expand output by 7 percent from 1986.

The midyear report that pork producers were not expanding production, and the heat and resulting slower

weight gains, helped boost prices early in the third quarter. Prices in the 12 cities during third-quarter 1986 may average 69 to 73 cents per pound, up from 51 last year. Prices are expected to decline seasonally in the fourth quarter and may average 55 to 59 cents per pound, up from 50 last fall.

Declines in red meat production and higher prices in early 1987 than in early 1986, especially in cheaper cuts and hamburger, will likely strengthen broiler prices. However, the expected 7-percent rise in output will likely moderate some of the price gains, and prices may average 51 to 55 cents per pound, up from 50 in 1986.

Broiler exports reached 256 million pounds in first-half 1986, 26 percent above last year. Shipments to Japan were up 52 percent to 69 million pounds because of a stronger yen. Exports to Egypt, at 10 million pounds, were twice last year's mark, and are expected to increase greatly from the Export Enhancement Program. [Allen Baker (202) 786-1830]

Turkey

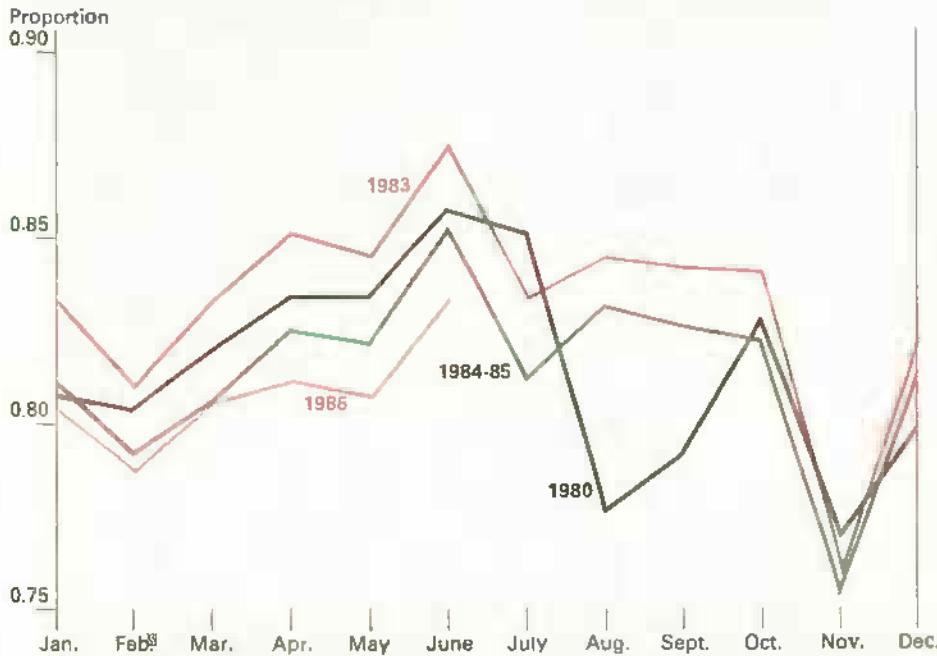
Output of turkey meat from federally inspected plants during the third quarter is expected to be 12 percent above 1985. Producers are continuing to place more turkeys for slaughter in the fourth quarter. If they continue to do so, output could be 15 percent above last year.

The demand for turkey, especially processed turkey products, is strong. During first-half 1986, turkey used in further-processed items was up 15 percent from 1985, boosting per capita consumption of turkey outside the fourth quarter. But with reduced supplies of red meats in the remainder of 1986 and in early 1987, even more consumers may turn to processed turkey.

Cold storage stocks of frozen turkey have been above 1985 thus far in 1986. In the second quarter, retailers began building supplies of whole turkey for holiday sales. In the past 2 years, retailers have run low on turkey supplies by Christmas. This year they seem to be stocking up early and thus firming prices.

The strong demand for turkey has meant that prices have not slipped, even with sharp increases in production. In first-half 1986, when production was up 14 percent from 1985, prices for 8- to 16-pound commodity-

Hatchability of Broiler-Type Eggs Down In 1986



Changes in the Milk Production Industry, 1955-1985

Item	1955	1975	1985	Percent change per year (compound annual rate)	
				1955-75	1975-85
No. of cows (mil.)	21.04	11.14	11.03	-3.1	-0.1
No. of farms (thous.)	2,763	444	274	-8.7	-4.7
Cows per farm	8	25	40	5.9	4.8
Pounds per cow per year	5,842	10,360	13,031	2.9	2.3
Total milk production (bill. pounds)	122.9	115.4	143.7	-3	2.2
Milk production value per farm					
Nominal \$	1,755	22,970	67,347	13.7	11.3
1985 \$	7,187	43,267	67,347	9.4	4.5

pack hen turkeys in the Eastern Region averaged 65 cents per pound, down only 2 cents from 1985. During third-quarter 1986, prices may average 78 to 82 cents per pound, up from 78 last year. Prices in the fourth quarter may average 88 to 92 cents per pound, about the same as last year.

Net returns to wholesale turkey producers have been above 1985's positive returns thus far in 1986, and should continue that way. That would mean positive returns since mid-1984, and act as an incentive to expand production again in 1987. Producers are expected to increase first-quarter 1987 production by 20 percent over 1986. This may result in 8- to

16-pound hen turkeys averaging 57 to 63 cents per pound, down from 62 in 1986. [Allen Baker (202) 786-1830]

Eggs

Based on chick hatch in January-March, producers likely will add more replacement pullets to the laying flocks during third-quarter 1986 than they did in 1985. Producers have been force-molting about the same percentage of old hens as in 1985. Thus, the number of layers will likely be above the 1985 level through the remainder of 1986.

While the rate of lay will likely be about the same, higher numbers of layers are expected to boost egg

production in second-half 1986 about 2 percent from 1985.

Egg prices have been strengthened by concerns over heat-related supply losses, especially early in the third quarter. Prices of Grade A large eggs in New York during the third quarter may average 73 to 77 cents per dozen, up from 68 last year. Fourth-quarter prices may average near 70 cents per dozen, down slightly from 1985's 76 cents. Prices in first-quarter 1987 may average in the mid-60 cent range, down from 74 in 1986. Prices are likely to be lower with continued higher production.

After being in a price-cost squeeze during second-quarter 1986, producers are likely to turn a profit in the fourth quarter and into early 1987. While egg prices may slip, feed costs are also expected to be below 1985 and result in favorable returns. [Allen Baker (202) 786-1830]

Dairy

Wholesale butter prices started to rise in late June and rose 16 cents per pound by early August. Prices will probably not rise further, because large Government stocks are available at the market price.

By early August, American cheese prices had risen 4 to 6 cents per pound. Some additional increases are likely as the supply-demand balance for milk tightens further.

The wholesale price strength resulted primarily from milk production reductions caused by the DTP, and from continued strong commercial use of milk and dairy products. Commercial stocks were low this spring, and abnormally high temperatures over much of the country have lowered the fat content of milk—further pinching already tight cream supplies.

Wholesale price increases through early August were equivalent to 40-60 cents per cwt of milk. However, only a little of the increase was reflected in July milk prices, because the largest wholesale rises occurred after mid-July. The July Minnesota-Wisconsin (M-W) price for manufacturing-grade milk was \$11.06 per cwt, up 6 cents from June. This increase will be seen in minimum prices for fluid milk during October. The August M-W price will be up from July and the highest since the spring of 1985. This fall's milk and cheese prices probably will be modestly above August levels. [James Miller (202) 786-1830]

Emerging Technology in Milk Production

Emerging technology continues to alter the dairy industry. Milk production per cow has more than doubled since 1955, cutting the number of cows needed. Specialization in dairying, combined with increased output, has resulted in a dramatic decrease in the number of commercial dairy farms. Increased technology would accelerate these trends.

Some technological advances that have boosted production are artificial insemination and improved breeding, better nutrition, automated grain feeding systems, use of higher quality forage, and disease control. Technological advances that have affected the number and size of farms, and industry efficiency, include the milking machine, better housing systems, barn cleaners, silo unloaders, and bulk milk tanks. Improved refrigeration, transportation, and processing technology has also influenced the location, structure (number and size of herds), and efficiency of milk processing and marketing.

New technologies on the horizon are nutritional supplements, biotechnology—including bovine growth hormone (bGH) and embryo transfer, improved environmental management, and microcomputers to assist in feed, financial, and herd management.

Bovine growth hormone could be the biggest technological contribution to date. Bovine somatotropin, as it is technically called, is a naturally occurring protein hormone, produced in the pituitary gland of cattle, that regulates body metabolism and therefore milk production.

Through recent breakthroughs in genetic engineering techniques, the bGH gene can be transferred from animals to ordinary bacteria cells. These bacteria can be reproduced on a large scale at relatively low cost, making the purified product available for commercial use. The process is similar to that used to produce human insulin and interferon.

Bovine growth hormone has not been approved by the Food and Drug Administration (FDA) for commercial use. However, it has been approved for research under controlled conditions, and the sale of milk and meat from

experimental cows injected with bGH has been approved. At present, daily injection is the only effective way of administering bGH. Research is underway to develop a slow-release product or implant.

Injections of bGH increase body metabolism and milk production by raising blood flow through the mammary system. Research has found that under controlled conditions, milk yields increase 10-40 percent within 3 days of initial injection, when administered during the latter two-thirds of a normal 305-day lactation period.

While the optimal time for administering bGH is still being researched, production increases have been greater during middle and late lactation than during early lactation, when milk yields normally tend to be higher. Thus, 10- to 40-percent increases over the latter 215 days of lactation translate to an increase of 7 to 28 percent annually.

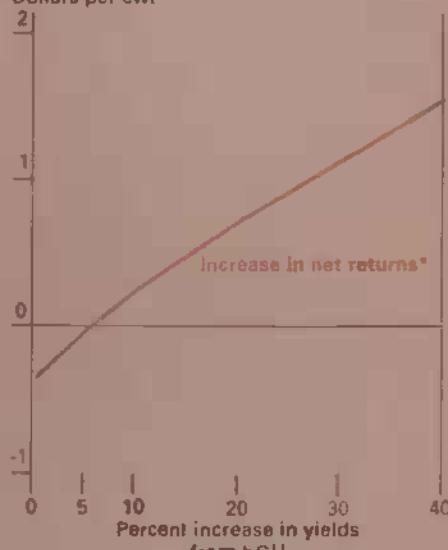
A common misconception is that there is a 40-percent increase in milk production during the full lactation period. Another assumption is that essentially all farms will adopt the technology immediately. The incorrect conclusion: one-third fewer milk cows and dairy farms are needed. Such a dramatic impact is unlikely in the 1980's—or in the foreseeable future. FDA has not approved bGH for commercial use, and is not likely to have sufficient data for approval before 1989 or the early 1990's.

Concerns have been raised about the possible effects of bGH on human safety, animal health, and the overall environment. bGH is a species-specific protein and is not biologically active in humans. Also, published research indicates that the product has had no short-term ill effects on animal reproduction, nor does it change the incidence of mastitis or nutritional disease in cows. From an environmental standpoint, the bacteria used to produce the hormone pose no threat because they are able to survive only in a controlled environment.

The largest concerns appear to be how increased milk production will affect prices received by dairy farmers, and if this will have a structural impact on the industry. This concern is especially acute because of chronic excess milk supplies.

Milk Yields Must Increase At Least 5% For bGH Use To Be Profitable

Dollars per cwt



*Average based on 14,000 pound average milk yield, and \$0.25-per-dose cost of bGH.

In the 1950's, dairy farmers were faced with major decisions when bulk-tank technology became popular: Should they remain in dairying? Should they increase the size of their operations? Should they adopt and invest in the associated bundle of capital improvements? These structural changes resulted in fewer and larger dairy herds, requiring increased investment. Also, storage capabilities were expanded and transportation was made easier.

Many questions still remain before the likely effects of bGH on industry structure and performance can be reliably evaluated. Among them are:

- The additional nutrients required to sustain animal health and body condition over multiple lactations;
- The extent to which cows will need more feed when injected with bGH, and what feed ration alterations are needed to furnish the required additional nutrients;
- The long-term impacts of bGH on animal health and productivity;
- The effects of animal stress in high-temperature, high-humidity regions on feed consumption, animal health, and milk production;
- The cost of producing bGH and the commercial cost to dairy farmers;

- The likely adoption rates by region, type, and size of herd;
- Production changes in cows and herds with different genetic bases and different feed and management quality regimens; and
- The type of management needed to effectively run a technologically advanced program.

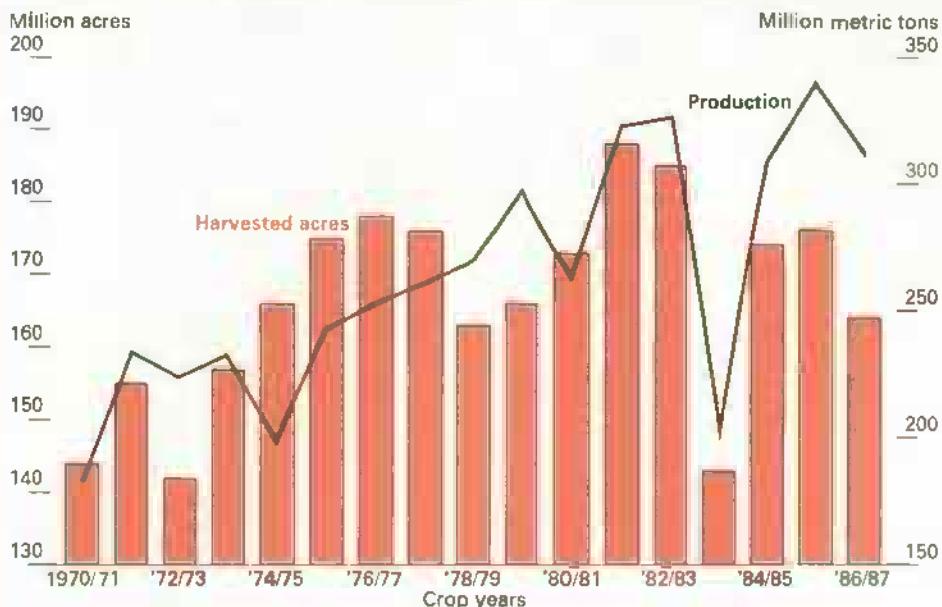
Farmers with herds of all sizes could easily adopt this technology. General experience and research results indicate, however, that better-managed herds may benefit most, and poorly managed herds may be even further disadvantaged regardless of herd size. This in itself should lead to a more efficient industry.

Profitability of bGH use will likely be the biggest factor in adoption. If bGH injections cost 25 cents a day over a 215-day injection period, and additional feed and other expenses cost \$3.25 per cwt of additional milk output, then from a cow with an annual output of 14,500 pounds, at milk prices of \$12.50 per cwt, a producer would need at least a 6-percent increase in production to cover added costs. Any further output gains would make bGH profitable. Preliminary results suggest gains of at least 10 percent could be reasonably expected.

If bGH is widely adopted it would take fewer cows—and probably fewer dairy farmers—to produce the required milk supply. Since feed efficiency would be increased, fewer resources would be required and costs of milk production would likely fall, resulting in larger supplies and lower prices to both farmers and consumers. Fluid milk and manufactured dairy products would be more competitive with other drinks and foods. The U.S. competitive position in world dairy markets would also be enhanced.

Other countries are also conducting research and field tests on bGH. Failure to adopt this technology could place the U.S. dairy industry at an even further competitive disadvantage. Although short-run structural adjustments may be painful, efficiency-enhancing technology is likely to benefit both well-managed dairy farms and consumers in the long run.
(Richard Fallert and Carolyn Betts (202) 786-1823 and Boyd Buxton (202) 786-1825)

Acreage Reduction Programs Reducing U.S. Grain* Production—Sort Of



*Grains include wheat and feed grain.
 1986/87 forecast.

CROPS OVERVIEW : LOWER PRODUCTION FORECAST FOR MOST CROPS

Total domestic output for most of the ten major field crops will be less this season than in recent years. For most crops, declines resulted from reduced plantings brought about by increased participation in commodity programs.

The season-long drought in the Southeast and, to a lesser extent, the hot, dry weather that developed at midseason in the Delta, Kentucky, and Tennessee, had a severe effect on regional crop production. But for most major field crops, particularly food and feed grains, the regional adverse weather has had a negligible national impact.

Growing conditions were good to excellent through mid-August in the Midwest and Northern Plains, where the bulk of the U.S. corn, soybean, and spring wheat crops is grown. Consequently, above-average production in these regions is offsetting losses due to the drought.

The 1986 winter wheat crop is projected to be down 16 percent from last year, due to a 10-percent drop in harvested acreage and a decline in the average per-acre yield from about 38 to 35.4 bushels. However, a 4-percent jump in other spring wheat plantings and very favorable growing conditions in the Northern Plains point to a near-record 530-million-bushel crop.

Last year, average per-acre yields for three feed grains were record high—118 bushels for corn, 66.7 for grain sorghum, and 63.6 for oats. This season's yields are estimated at 120.4, 63.7, and 58.8 bushels per acre, respectively, and harvestings are expected to fall 8 to 19 percent. Thus, total output is anticipated to drop 6 percent for corn (in spite of a record yield), 23 percent for grain sorghum, and 15 percent for oats from a year ago. Barley production is forecast to rise 10 percent with increased harvestings and a higher yield.

For 1986, 85 percent of the peanut crop, 94 percent of the tobacco crop, and a greater share of the soybean and cotton crops (compared to food and feed grains) is being grown in the drought-affected Southern States. Consequently, the drought has had a relatively greater impact on production of the four major non-grain field crops.

The peanut crop is projected to be down about 14 percent to 3.55 billion pounds, while tobacco will be off 21 percent to 1.2 billion pounds. The soybean crop is estimated to fall about 6 percent to 1.98 billion bushels, with harvested area down 2.3 percent to 60.2 million acres and the average per-acre yield off from a record-high 34.1 bushels last year to about 33 bushels. Due to a 10-percent decline in plantings and a 9-percent drop in per-acre yields from a record 630 pounds to 573, the cotton crop is forecast to fall 21 percent to 10.7 million bales.

(Michael Hanthorn (202) 786-1841)

Field Crop Production Declines

Field crop	Unit	1982	1984	1985	1986 estimate	1982-86	Percent change 1984-86	1985-86
Food grains								
Wheat	Mll. bu.	2,765	2,595	2,425	2,165	-21.7	-16.6	-10.7
Winter	"	2,074	2,060	1,827	1,533	-26.1	-25.6	-16.1
Durum	"	146	103	113	102	-30.2	-1.5	-9.5
Other spring	"	546	431	485	530	-2.8	23.0	9.3
Rice	Thous. cwt	154	139	136	125	-18.5	-9.8	-7.9
Feed grains								
Corn	Mll. bu.	8,235	7,674	8,865	8,316	1.0	8.4	-6.2
Grain sorghum	"	835	866	1,113	860	3.0	-0.7	-22.7
Barley	"	516	599	589	650	26.0	8.5	10.3
Oats	"	593	474	519	443	-25.2	-6.4	-14.5
Total	"	10,179	9,613	11,085	10,269	0.9	6.8	-7.4
Other								
Soybeans	"	2,190	1,861	2,099	1,979	-9.6	6.3	-5.7
Cotton	Thous. bales	11,963	12,982	13,432	10,676	-10.8	-17.8	-20.5
Peanuts	Mll. lbs.	3,440	4,406	4,123	3,553	3.3	-19.4	-13.8
Tobacco	"	1,995	1,728	1,511	1,195	-40.1	-30.8	-20.9

Yields Lower In Southeast

Crop Yields

Crop	United States		Southeast*	
	1983-85	1986	1983-85	1986
Winter wheat (bu/ac.)	40.0	35.4	35.1	30.6
Corn (bu/ac.)	104.3	120.4	83.9	65.8
Soybeans (bu/ac.)	29.4	32.9	23.3	20.2
Cotton (lbs/ac.)	587	573	599	455
Peanuts (lbs/ac.)	2,712	2,414	2,965	2,559
Tobacco (lbs/ac.)	2,062	1,942	2,066	1,933

*Southeast: Alabama, Delaware, Georgia, Kentucky, Maryland, North Carolina, South Carolina, Tennessee, and Virginia.

CROP HIGHLIGHTS

•Wheat

At an estimated 506 million tons, the 1986/87 world wheat crop will be second only to 1984/85's 516 million tons. The 1986/87 U.S. crop, the smallest since 1979/80, accounts for all of the shortfall while foreign wheat production in 1986/87 is projected at a record. This, coupled with carry-in stocks, means record worldwide wheat supplies for the year.

The 1986 U.S. harvest is estimated at 2.16 billion bushels. Near-record participation in the 1986 acreage reduction program and unfavorable planting conditions in the Soft Red Winter wheat area resulted in a 3.6-million-acre reduction in plantings. The harvested yield is estimated at 33.5 bushels per acre, 2 below 1985 because of the greatly reduced Soft Red yields.

Record carryover will put U.S. supplies at an all-time high 4.07 billion bushels. Projected disappearance will

be up 13 percent from last season because of likely increases in overseas demand. However, at the end of the 1986/87 crop year, carryout will only be slightly smaller than the carryin of 1.9 billion bushels.

Total wheat production for the major foreign exporters (Argentina, Australia, Canada, and the EC-12) is forecast to rise about 5 million tons to 125 million in 1986/87. While adverse weather has depressed expected yields and production in Australia, significant production gains are anticipated in Canada, where large yields are coupled with an estimated 500,000-hectare increase in area. At 14.2 million hectares, the Canadian area is record large. A small part of this increase is likely to have come from reduced barley area, as anticipated barley price declines make wheat relatively more attractive. Similar changes are likely taking place in Australia as well.

Production among the major wheat-importing countries is forecast down

from 218 million tons to 215 million. Lower Soviet production accounts for all of the decline. The USSR's area is forecast about 1 million hectares below last year, and hot, dry weather from April through mid-June has depressed yields. Forecast yield declines translate into production losses of about 7 million tons, or 8 percent, for the year.

In contrast, China's production is estimated at 87.5 million tons, up more than 2 million from last year. A record area and favorable yields are anticipated.

Continued low wheat export prices, along with the decline in Soviet output, are contributing to an anticipated 6-million-ton pickup in global trade (excluding intra-EC trade). This translates into a significant increase in U.S. wheat exports—up by over 6 million tons to over 31.5 million.

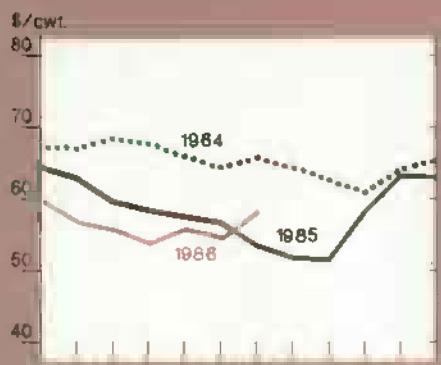
Much of the increase will be to various countries in North Africa receiving EEP offers, where total commitments through mid-August are well ahead of a year ago. [James Cole (202) 786-1691 and Allen Schienbein (202) 786-1841]

•Rice

U.S. production is forecast at about 125 million cwt in 1986/87, well below output of the past 2 seasons. A drop in acreage and lower yields are cutting production. According to the latest crop production report, harvested acreage is expected to be down 7 percent from the previous year. The 1986/87 rice program requires producers to idle 35 percent of their base acreage. Over 90 percent of base acreage was enrolled in the program.

Commodity Market Prices

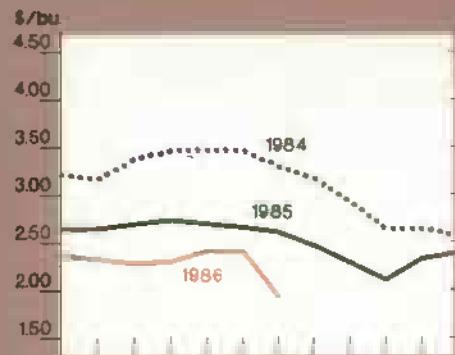
Choice steers, Omaha



Broilers, 12-city average



Corn, Chicago³



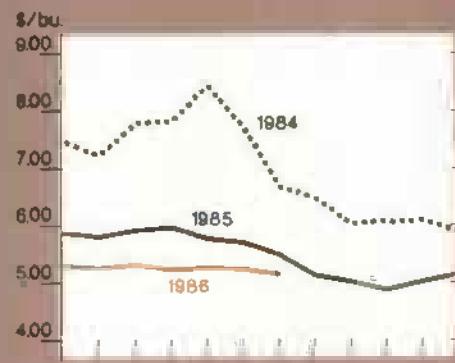
Feeder cattle, Kansas City¹



Eggs, New York²



Soybeans, Chicago⁴



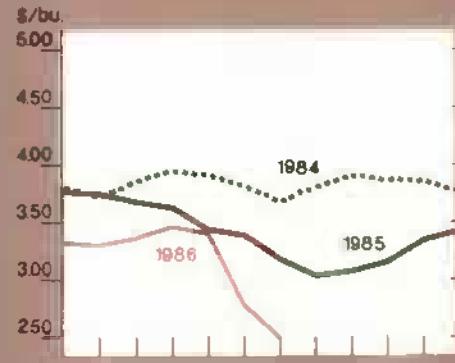
Barrows and gilts, 7 markets



Rice (rough), SW Louisiana



Wheat, Kansas City⁵



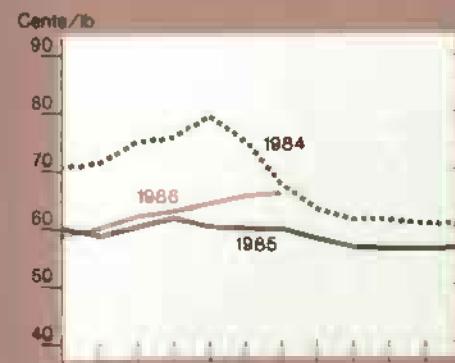
All milk



Sorghum, Kansas City



Cotton, average spot market



Although production is not expected to increase in 1986/87, a large carryin stock may boost supply to a record 215 million cwt. Even with exports projected to shoot upward by 45 percent, from 55 to 80 million cwt, stocks are likely to remain large. Total use will probably exceed production by 17 to 18 million cwt.

U.S. rice prices have dropped by over 50 percent since the marketing loan went into effect on April 15, and the U.S. share of world exports is forecast to rise from 18 percent in calendar 1986 to 22 percent in 1987. Domestic consumption is expected to increase modestly, as rice consumption in restaurants increases and new grocery store items containing rice are introduced.

Global rice production is forecast at a record 320 million tons (milled basis) for 1986/87, up about 4 million from the year before. The bulk of the increase is in China, the largest producer and a major exporter, where production is expected to be up about 5.5 million tons. Production among several other major producers is also forecast to rise, including Bangladesh, Burma, Indonesia, and Pakistan, whose collective output may increase by almost 2 million tons.

World trade in 1986 is forecast at 12.3 million tons (milled basis), up about 800,000 from last year. Some of the increase results from increased purchases by Brazil and Peru. The pace of Thai shipments had, by June, risen 10 percent above a year earlier. Thai sales are now forecast at 4.2 million tons for the year, up slightly from calendar 1985 and second only to the record 4.5 million in 1984. *(Janet Liverey (202) 786-1840 and James Cole (202) 786-1691)*

Feed Grains

World coarse grain production in 1986/87 is forecast at 821 million tons, down about 23 million from the previous year. Foreign production will likely fall about 3 million tons, with an 8-million-ton drop in the USSR, but foreign output is still projected near the 1984/85 record of 571 million.

Some production changes are already occurring among coarse grain exporting countries. Production among the major foreign export competitors (Argentina, Australia, Canada, South Africa, and Thailand) in 1986/87 is forecast to fall about 1 million tons to 64 million.

While some Canadian barley area probably shifted to relatively more profitable wheat, expected yield increases will be more than offsetting. A similar shift is taking place in Australia, where the barley area is forecast to fall 700,000 hectares. The absence of price guarantees for barley, while the wheat price remains supported, has been a major factor. However, a return to more normal-trend corn yields in Argentina after a record crop in 1985/86 will be responsible for lower projected output there. Drought lowered yields in Thailand.

Aided by improving economic conditions, reduced energy prices, and lower grain prices, global coarse grain trade is forecast to expand to over 90 million tons (excluding intra-EC trade) in 1986/87, an increase of almost 7.5 million over the previous year. The 1986/87 U.S. market share may increase to 52 percent from the weak 43 percent of a year earlier. *(James Cole (202) 786-1691)*

Oilseeds

The coming year will be a difficult one for many of the world's oilseed producers. Record 1986/87 world production of oilseeds, meal, and oil, and record or near-record carryin stocks, mean very large world supplies and continued downward pressure on oilseed and product prices. World oilseed and product consumption and trade are likely to show only limited growth, and carryout stocks for most oilseeds and products will increase again.

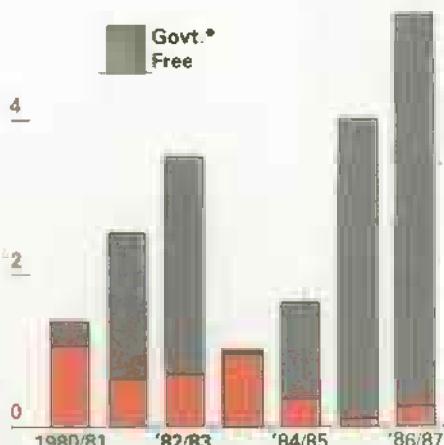
The drop in 1986/87 U.S. soybean loan rates is expected to be modest, especially compared to the 25-percent-or-more drop for grains. This will limit declines in world soybean and soybean meal prices, and may stimulate expansion of foreign oilseed production.

Foreign soybean production in 1986/87 is expected to rise about 5 million tons to 44 million, and sizable gains are also expected in peanut output. This continues the rapid expansion of the last few years, which has seen foreign oilseed production increase 23 million tons—nearly one-fourth—since 1981/82.

This early production outlook is subject to considerable change, since Southern Hemisphere crops will not even be planted for several months. But the general direction is clear. Given a return to average weather, Brazilian yields will recover from the drought damage of 1985/86. While Brazil's acreage is uncertain, some

Corn Ending Stocks, Including Stocks Under Loan, Projected to Rise

Billion bushels
6



*Government-held stocks include CCC inventory, FOR, and outstanding loans, including special storage program. 1986/87 forecast.

small gain seems likely because abandonment will be less than last year when weather was poor. Also, recently announced Government prices favor production of corn and edible beans over soybeans.

Paraguay's crop, also damaged by drought in 1985/86, should increase sharply in 1986/87. The expansion of soybean area in Argentina will continue this year. Domestic prices favor oilseeds over wheat, and soybean acreage is expected to increase.

China's push to expand its domestic livestock industry and soybean exports is continuing. Government procurement prices for soybeans have been increased, and farmers have apparently increased acreage by nearly 9 percent. The 1986/87 crop is expected to increase by 1 million tons to a record 11.5 million.

U.S. soybean production in 1986 is forecast to be 1.98 billion bushels. Despite the production decline from last year, U.S. supplies are expected to be about the same because of the record expected carryover of 525 million bushels. Commercial stocks could be tight at about 50 million bushels, with the balance held under Government loan or Government-owned. Loans on 1985-crop soybeans can be extended for 1 year beyond the loan maturity date.

Prices in 1986/87 will likely range between \$4.60 and \$5.00 a bushel. The lower bound is based on the assumption that the Secretary lowers the 1986 loan to the minimum \$4.77 a bushel. The upper bound reflects the likely profitable loan-redemption price for outstanding 1985 crop loans.

U.S. exports are forecast to rise slightly to 760 million bushels in 1986/87 while crush will remain unchanged at 1,055 million. Soybean meal demand will be the prime motivation to crush, since the vegetable oil market will remain in the doldrums. Total U.S. soybean meal demand is expected to be virtually unchanged in 1986/87 from 1985/86. If Brazilian production recovers from 1985/86's drought, U.S. exports of soybean meal will decline, but domestic use is likely to rise because of reduced availability of other protein sources. Prices for soybean meal likely will range between \$130 and \$155 a ton in 1986/87.

Prices for soybean oil will likely weaken in 1986/87. Although U.S. edible oil consumption is expected to post a solid 2.5-percent-plus gain, imported palm oil will depress U.S. domestic soybean oil prices. Prices are expected to range from 13 to 18 cents per pound. (*Frederic Surls (703) 971-0790 and Roger Hoskin (202) 786-1841*)

•Cotton

Despite plunging prices, world cotton production in 1986/87 is expected to fall only 5 percent, from 79 million bales to 75 million. The bulk of the decline will occur in the United States. Foreign production is expected to total nearly 65 million bales, down slightly from 1985/86.

A 3-percent lower area, mostly in the United States, accounts for the small production decline. Foreign area is forecast to show only a 1-percent drop. While some foreign producers are responding to lower prices by reducing area and production, others are making very little adjustment.

Only in Australia is the world price clearly the most important factor leading to less cotton in 1986/87. Australia, which consumes only about one-tenth of its own production and exports the remainder, is forecast to show a 25-percent drop in area and production.

Production in China is expected to rise because of higher yields. Egypt is forecast to produce 2 million bales, the same as in 1985. Production will con-

tinue strong in Chad, Mali, Burkina Faso, and other African nations, where cotton is the only exportable product.

Only slightly lower production is expected in India and Pakistan. Area in both countries is projected to drop by a small margin, but prices continue to favor cotton production. In Pakistan, where the Government is a monopoly buyer, the farm-gate price has been set at the same level as last year. Yields in both countries have been growing rapidly and are expected to remain high this year because of the use of better varieties and improved techniques.

The 1986 U.S. cotton crop is forecast at 10.7 million bales, based on August 1 conditions. Planted acreage of 9.6 million was 10 percent less than 1985. The forecast yield of 573 pounds would be 9 percent below last year's record, but equal to the 5-year average. Abandonment is higher this year because of adverse summer weather in the Southern Plains. U.S. harvested area is expected to be around 8.9 million acres, 13 percent below 1985. The U.S. supply of cotton for 1986/87 is forecast at 20 million bales, nearly 2-1/2 million above 1985/86 and the largest since 1967/68.

Although imports of cotton textiles remained high and cotton prices rose relative to polyester, U.S. mills used more cotton in 1985/86 than at any time since 1979/80. Reasons include a shift in consumer preferences toward natural fibers, and the realization that cotton will become less expensive now that the new farm bill is in effect. Mill use for 1985/86 totaled 6.4 million bales, and may total 6.8 million in 1986/87. The seasonally adjusted annual rate of use was 6.8 million bales in June, a 9-year high. (*Carolyn Whitton 786-1691 and Sam Evans (202) 786-1840*)

•Tobacco

As of August 1, U.S. tobacco output was forecast at 1.2 billion pounds, down 21 percent from last year due to reduced acreage and lower yields. Flue-cured production was forecast at 664 million pounds and burley at 425 million. Flue-cured production is down 17 percent and burley 26 percent from a year earlier.

Flue-cured sales began July 29 in the Georgia-Florida belt. Auction prices averaged 21 cents a pound lower over the first 2 weeks of sales than last year because the price support level is lower and less upper-stalk tobacco was

sold. Price supports have averaged \$1.438 per pound in 1986, compared with an effective support of \$1.65 in 1985. Loan rates range from \$0.96 to \$1.97 per pound. Quality was better than a year ago and growers placed less tobacco under loan. Net returns to growers are averaging about the same as a year ago since the grower assessment has been cut sharply.

Producers are required to contribute 2-1/2 cents per pound of flue-cured tobacco sold in 1986, to cover potential losses (excluding administrative costs) of tobacco placed under loan from the 1982-84 and 1986 crops. Purchasers also are required to contribute 1-1/2 cents per pound to cover potential losses from the 1986 flue-cured crop. The 1986 crop is the first year in which purchasers are required to pay an assessment, as mandated by the Consolidated Omnibus Budget Reconciliation Act of 1985.

The assessment also will be used to offset any required reductions from the statutory loan rate under the Gramm-Rudman-Hollings budget law. Use of the assessment for this purpose may not exceed an amount equal to 1 cent per pound of producer marketings.

Under provisions of the Reconciliation Act, the Commodity Credit Corporation (CCC) acquired 212 million pounds of 1983-crop burley tobacco loan stocks when the loans were called on May 7, 1986. In June, CCC invited bids for purchases and at the end of July, sold 71 million pounds of that crop to successful bidders for \$44.2 million. (*Verner N. Grise (202) 786-1840*)

•Peanuts

The forecast for 1986/87 production is 3.6 billion pounds, 14 percent below last year, even though planted acreage increased slightly. Prolonged drought in the Southeast, the major peanut-producing area, caused the average per-acre yield to fall 14 percent from 1985 to 2,414 pounds. The unusually high temperatures accompanying the drought are expected to reduce crop quality. Crushing of 1985/86-crop peanuts for oil, cake, and meal is running 24 percent ahead of last season.

Carrying stocks for 1986/87 are expected to be less than 1 billion pounds, compared with last season's record 1.4 billion. (*James Schaub (202) 786-1840*)

•Fruits & Vegetables

Part of U.S. agriculture's financial situation is bleak, but fruit and vegetable farmers are thought to be prospering. Prices for most fruits and vegetables have not fallen the way wheat, corn, and soybean prices have. Fresh produce consumption has been growing, and fruit and vegetable farmers are less dependent than grain farmers on the vagaries of export markets.

However, freezes have destroyed parts of the Florida and Texas citrus industries, grape prices have plunged in the face of large supplies and slowing growth in wine demand, and increased import competition has put pressure on domestic sales of processed fruits and vegetables. Are fruit and vegetable growers actually prospering?

Although fruit, berry, vegetable, and tree nut farms make up only 4 percent of all U.S. farms, they generated 14 percent of net cash farm income in 1984. January 1, 1986 cash flow statements, obtained from USDA's 1985 Farm Costs and Returns Survey (FCRS), show that per-farm net cash income, after all expenses, averaged \$12,256 for fruit, berry, and tree nut farms, 38 percent more than the U.S. average.

Net cash income for vegetable farms was \$26,648, over 200 percent above the average farm. The high income for vegetable farms reflects not only positive cash flow for the majority of farms, but also the large proportion of vegetable farms in the over-\$500,000 sales category. Vegetable farms comprised 7 percent of the category according to the 1985 FCRS, compared with an average 2 percent for all types of farms. Net cash income for vegetable farms in the over-\$500,000 sales category was \$384,654, compared with \$194,789 for all farms.

The January 1, 1986 average balance sheets reveal that fruit, berry, and tree nut farms have a lower average debt/asset ratio than the agricultural sector as a whole (.17 compared with .22 to .26). Vegetable farms alone are slightly less solvent, with an average debt/asset ratio of .25, but cash grain farms, by comparison, have a ratio of .31.

More fruit and vegetable farms are in a no-debt position (43 and 44 percent, respectively) than the 40 percent of all farms with no debt. Less than 6 percent of fruit farms are highly leveraged, with debt/asset ratios of over .7,

compared with nearly 9 percent of all farms. By comparison, only 3 percent of cash grain farms are in a no-debt position and 13 percent are highly leveraged.

Both cash flow and balance sheet measures show that fruit and vegetable farms are in better financial condition than cash grain farms. Relatively low dependence on export markets and stable prices have sheltered fruit and vegetable farms' cash flow. Furthermore, fruit and vegetable farms are generally located on the East and West Coasts. Farm-land values have fallen less drastically there than in the Midwest, where cash grain farms are concentrated.

However, both balance sheets and cash flow statements reveal that fruit and vegetable farms are not immune to financial stress. About 10 percent of vegetable farms are highly leveraged, with debt/asset ratios greater than .7. Furthermore, about 42 percent of both fruit and vegetable farms have negative household cash income (farm net cash income plus nonfarm income less living expenses), compared with 45 percent of all farms.

Increasing import competition, and supply-demand imbalances in some fruit and vegetable markets, will continue to create financial pain for some growers, although fruit and vegetable farms remain relatively strong. [Neil Conklin (202) 786-1766 and David Bunker (202) 786-1800]

•Sugar

More than 488,000 short tons of cane sugar were under loan to CCC on August 1, 6.5 percent below last year at this time. The beet sugar loan picture is the opposite. Last year, beet sugar processors had 276,800 short tons under loan. This year 474,636 tons are under loan, an increase of 71 percent.

Since June 14, a strike has shut down the California and Hawaiian Sugar Company (C&H) refinery in Crockett, California. The Crockett refinery is the world's largest, with capacity to refine around 800,000 short tons a year. Since the strike, C&H has placed 170,000 tons of Hawaiian sugar under CCC loan, compared with no sugar under loan at this time last year. So far the effect of the strike on West Coast sugar prices has been small, because stocks were built up in anticipation.

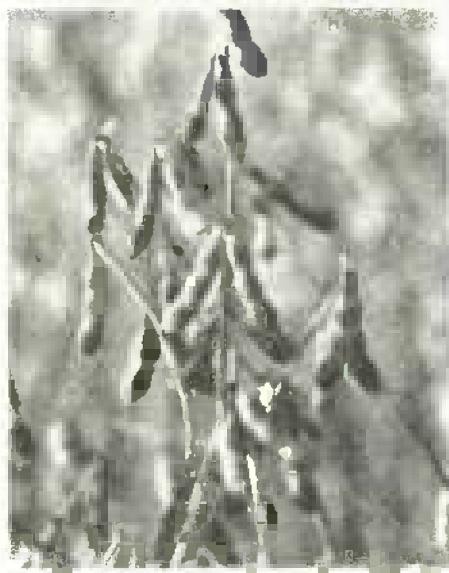
Over the first half of 1986, HFCS-55 prices in the Chicago West market averaged 19.23 cents a pound, dry weight, down over 3 percent from the same period in 1985. Prices are lower because of both cheaper corn and increased competition among producers to expand sales volume in a slower-growing market.

The Consumer Price Index (CPD) for sugar and sweets averaged 170.8 for the first 6 months of 1986, up 3.4 percent from a year earlier. This is slightly more than the combined index of seven sweetener-containing cereal and bakery products, which rose 3.2 percent. An index of seven other sweetener-containing food products increased 2.2 percent. The rise was held down by a 0.1-percent increase for cola drinks, which was partially the result of lower HFCS prices.

The People's Republic of China will purchase about 160,000 short tons of raw cane sugar held by the CCC in Florida at an average price of 4.75 cents a pound. Given CCC acquisition and storage costs of at least 18 cents a pound, the sale represents an estimated loss of over \$40 million.

CCC still holds about 20,000 tons, raw value, of refined beet sugar in storage in Colorado, and the sale represents about 5 percent of total U.S. private and Government sugar stocks as of March 31, 1986. The sugar will be shipped between January and March of 1987.

The effects of the sale had already been largely discounted by the trade, because the intent to sell the sugar on the world market had been announced previously. The sale represents less than 1 percent of world exports and should have only a small effect on world price. [David Harvey (202) 786-1769]



World Agriculture and Trade

ARGENTINE EXPORT OUTLOOK UNCERTAIN

Argentina is the world's second largest exporter of grains, oilseeds, and oilseed products, and has the potential to increase its share even further. Its grain and oilseed exports have increased 50 percent since the mid-1970's. If taxes on agricultural exports are eliminated and investments in the marketing infrastructure are increased, Argentina could increase its exports 40 percent by 1990, to 40 million tons. However, low world grain prices could dampen increases.

Traditionally, Argentina has subsidized industrial development by taxing the agricultural sector. But despite subsidies and protective tariffs, most state-run industries continue to run deficits, while agriculture continues expanding.

Investments in farm production and the grain exporting infrastructure could spur exports, and increased exports could help solve the country's economic predicament. Argentina's \$US50-billion foreign debt is equivalent to 70 percent of gross domestic product (GDP). Interest on the debt is equivalent to nearly 50 percent of export earnings, or nearly 100 percent of the balance-of-payments surplus.

The agricultural sector accounts for 15 percent of Argentina's GDP, and the grain handling and transportation

infrastructure accounts for an additional 10 percent. Agricultural exports account for 80 percent of foreign currency earnings, and taxes on agricultural exports generate 20 percent of central Government revenues.

The Government is making agricultural reforms. Farm input prices are being reduced and prices paid for farm products increased. On the other hand, the outlook for lower world prices is already dampening ambitious Government projections for production and export.

New Tax System May Spur Production

High export taxes are levied on Argentine agricultural products. Since prices for traded commodities are set in world markets, the tax burden falls on farmers.

In 1986 the World Bank approved a \$350 million loan for Argentina's agricultural sector. The loan is designed to help the Government of Argentina (GOA) make the transition from agricultural export taxes to a land-based tax system. This may spur crop production by raising Argentine crop prices and forcing idle lands and pastures into cultivation, and by increasing the use of farm inputs and capital equipment.

A land-based tax system tends to encourage marginal increases in farm output, since per-unit taxes will dimin-

ish as output increases. Conversely, export taxes tend to dampen marginal increases, since per-unit taxes are constant.

Marketing Costs Discourage Argentine Production

High marketing margins, resulting from a costly and inefficient grain handling and transportation infrastructure, further depress farm prices in Argentina. Moreover, the grain export sector is already operating near capacity at 30 million tons annually. So, export expansion will require investments in the export-marketing infrastructure.

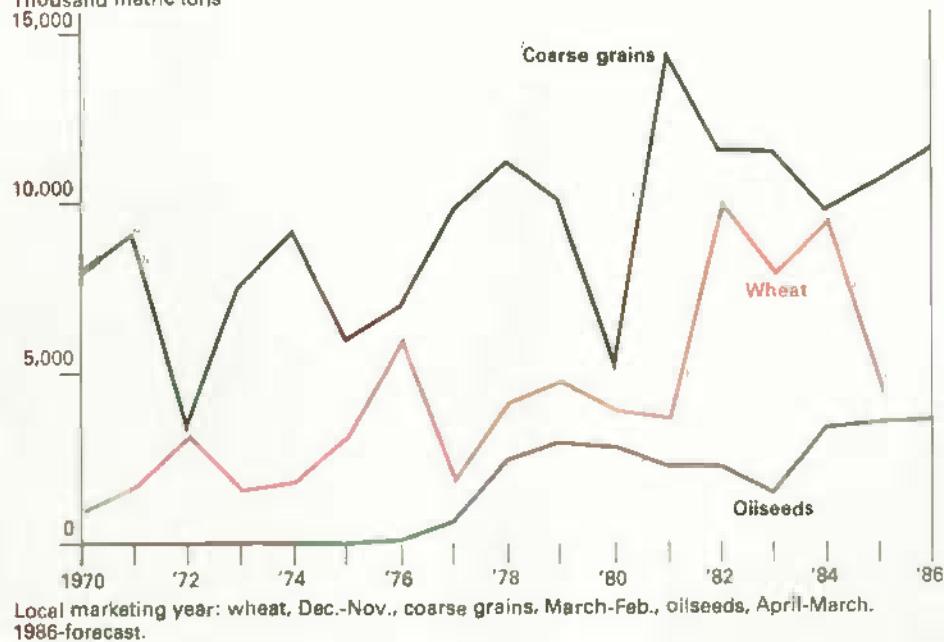
Almost all Argentine grain is produced within 200 miles of export terminals. Yet marketing costs are about the same as in the United States, where grain is moved as much as 1,500-1,700 miles to port. It is estimated that Argentine farmers receive about 50 percent of the c.i.f. Rotterdam price, while U.S. farmers receive about 75 percent.

Argentina's grain storage capacity may be the most limiting factor in export marketing. Storage capacity has increased from about 15 million tons in the early 1980's to nearly 30 million tons, but storage capacity is still less than 70 percent of average annual production.

This is significantly less than other major exporting nations. U.S. storage

Argentine Exports Highly Variable, Trending Up

Thousand metric tons

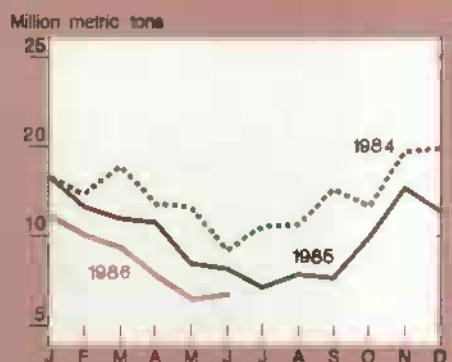


U.S. Agricultural Trade Indicators

U.S. agricultural trade balance



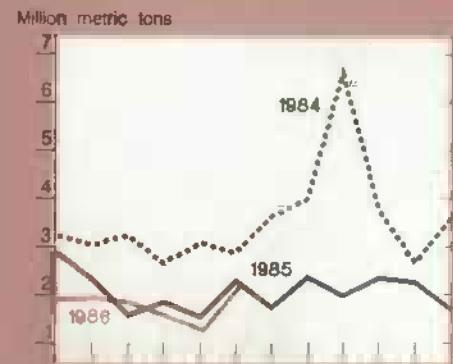
Export volume



Index of export prices



U.S. wheat exports



U.S. corn exports



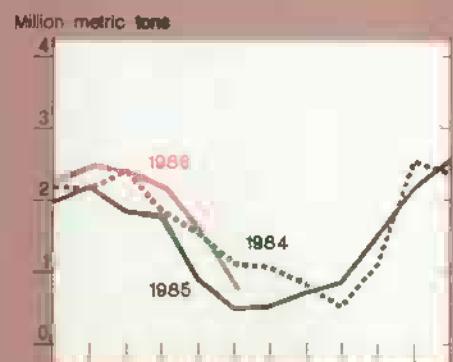
Foreign supply & use of coarse grains



Foreign supply & use of soybeans



U.S. soybean exports



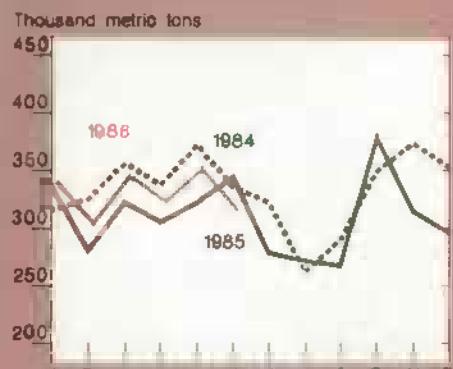
U.S. share of world coarse grains exports^{1/}



U.S. share of world soybean exports



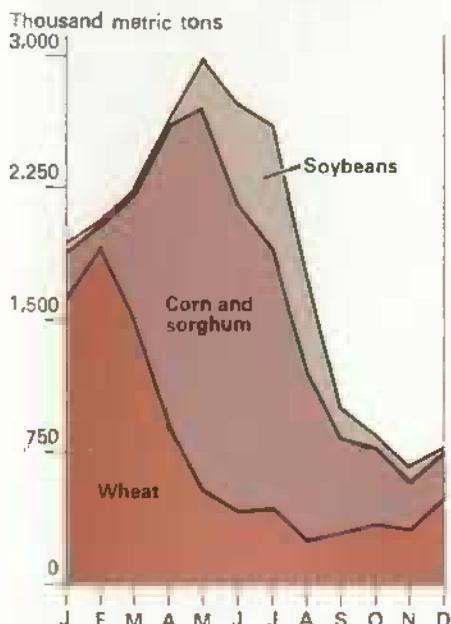
U.S. fruit & vegetable exports^{2/}



^{1/} Excluding intra-EC trade. ^{2/} October-September years.

Note: Wheat, corn, soybean, and cotton exchange rates and export unit values are now included in the U.S. Agricultural Trade tables at the back of this issue.

Argentine Export Volume Peaks in May*



*Export volume based on 1983-85 average.

capacity is about 200 percent of annual production (excluding carryover), Canada's at least 150 percent, and Australia's about 120 percent. Argentina's limited storage forces it to sell its grain rapidly, and given seasonal world market conditions, Argentina must offer significant price discounts because grain cannot be stored while farmers wait for prices to rise.

Argentina Has Great Production Potential

Argentine agricultural resources are underutilized, so area and yield are not limiting factors for the expansion of farm production. In crop rotation practices and other cost-saving, conservation-type technologies, Argentine farmers are very sophisticated. But in terms of fertilizer use and farm machinery, Argentine farmers have the lowest technology level among the major grain exporters. This is due to low farm-gate prices and high input prices. High input prices result from import tariffs and value-added taxes.

Historically, Argentine fertilizer prices were high. Despite a drop, only 20 percent of the wheat area is fertilized, compared to 75 percent in the United States. Yields are surprisingly good, though, at nearly 2 tons per hectare compared with 2.5 in the United States. Import tariffs also increase the price of farm machinery. Consequently, many farms are undercapitalized, with planting and harvesting usually contracted out to custom operators. Argentine farmers would enjoy significant

U.S., Argentine, and World Exports of Grains, Oilseeds, and Oilseed Products, 1985

(Million tons and percent of world trade)

Crop	Argentina		USA		World
	(mt)	(%)	(mt)	(%)	(mt)
Wheat	9.4	8.7	38.8	36.3	106.9
Rice 2/	0.2	1.7	1.9	16.5	11.5
Coarse grains	11.5	11.4	56.6	56.6	100.9
Oilseeds	3.5	11.0	17.7	54.0	32.8
Oilseed meal	4.1	12.0	4.6	14.2	32.5
Vegetable oil	1.6	8.6	1.4	8.6	16.3
Total	29.5	9.8	121.0	40.2	300.9

1/ Forecast. Excludes Intra-EC trade. 1985 = Argentine marketing year 1985/86, U.S. marketing year 1984/85. For the world, 1985 = U.S. marketing year 1984/85, except for wheat (July/June year) and rice (calendar year). 2/ Milled basis.

U.S. and Argentine Wholesale Prices*

	Wheat		Corn		Soybeans	
	U.S.	Argen-	U.S.	Argen-	U.S.	Argen-
		tine		tine		tine
(\$US per ton)						
1980	159	188	117	144	282	227
1981	160	199	123	128	258	226
1982	147	137	101	86	220	180
1983	145	98	127	103	259	200
1984	140	92	129	106	263	165
1985	125	83	105	78	207	138

1/ U.S. prices; No. 1 Hard Red Winter (ordinary protein) Kansas City, No. 2 yellow corn St. Louis, No. 1 yellow soybean Illinois processor. Argentine prices; Buenos Aires price for wheat, corn, and soybeans.

Estimated Argentine Farm Prices and Marketing Costs for Major Grains and Oilseeds

Crop	Buenos	Export	Buenos	Esti-	Esti-
	Aires f.o.b. price	tax & port fees	Aires cash price 2/	market- ing cost	farm price
(\$US/metric ton)					
Wheat	107.00	25.75	81.25	16.25	65.00
Corn	84.00	22.75	61.25	18.99	42.00
Sorghum	77.00	22.00	55.00	21.45	34.00
Soybeans	190.00	62.75	127.25	20.36	107.00
Sunf. seed	na	na	112.50	28.13	84.00

1/ Reflects average January 1986 price for wheat and average estimated March 1986 prices for corn, sorghum, soybeans, and sunflowerseed. Official exchange rate is 0.8 austral per dollar. 2/ Cash prices represent the value of a commodity delivered to Buenos Aires but not yet taxed or loaded aboard ship.

Source: Annual Agricultural Situation Report for Argentina, USDA, FAS, Buenos Aires, June 1986.

Price Ratios for Wheat and Nitrogen In the United States and Argentina

Year	United States	Argentina
1961/66	3.8	9.4
1967/72	3.7	6.9
1973/78	3.2	7.0
1979	3.2	6.7
1980	3.4	6.5
1981	3.8	7.5
1982	3.9	6.1
1983	3.5	10.9
1984	3.9	2.5*
1985	4.0	2.7 - 3.1*

1/ Expressed as units of wheat required to purchase one unit of nitrogen in the form of urea.

*The barter rate established by the Argentine Government beginning in 1984.

yield increases with increased fertilizer use. In addition, area cropped would expand if machinery use grew.

Investments Are Critical for Export Expansion

Considering both potential yield gains and expansion of area, Argentine agricultural production could grow from its current 40 million tons annually to 50 million by 1990, given favorable crop prices. However, Argentina's grain-exporting infrastructure is already operating at full capacity, so export and production gains will depend on future investment in export facilities. Capital flight and foreign debt servicing have depleted Argentina's investment capital, so most of the required investment in the marketing infrastructure will need to come from overseas lenders, who may be reluctant to make additional loans.

In addition, the global price outlook for grains is depressed this year and likely to remain so in the next few years, as U.S. farm legislation sharply cuts U.S. support prices in the 1986/87 marketing year, with domestic, cash, and export prices following down. [Jorge Hazera (202) 786-1662]

BRAZILIAN POLICY SHIFTS SUPPORTED BY U.S. FARM ACT

Changes in Brazilian agricultural policy favor increased stock holding and are shifting Government incentives away from export crops. In early 1985, a populist democratic coalition replaced an elitist military government. The new government is giving higher priority to the interests of small farmers and consumers. Farmers producing export crops, especially soybeans, are more often large and wealthy, while those who produce crops for domestic consumption, such as corn or dry edible beans, tend to be smaller.

Because of strong domestic economic growth since 1984, a vastly improved balance of payments, and 1986 monetary reforms that reduced inflation from over 200 percent per year to close to 20 percent, Brazil can make agricultural reform effective. Strong domestic demand for food resulted from economic growth, but with prices frozen as part of the anti-inflation campaign, shortages developed. Thus, the Brazilian Government is now beginning to build stocks.

The U.S. farm bill helps the Brazilian Government do this by letting U.S. export prices fall to world market prices. Also, world prices for food grains have fallen below Brazilian prices, allowing domestic sale of imported corn and rice without subsidies.

The shifting of incentives away from export crops is aided by Brazil's great improvement in its balance of payments. This has been made possible by international interest rate declines, debt rescheduling at a reduced risk premium, more favorable exchange rates, and trade surpluses. Brazil's current account balance went from a deficit of \$14.8 billion in 1982 to a surplus of \$0.5 billion in 1984. Exports grew from \$20 billion in 1980 to \$27 billion in 1984. Meanwhile, imports fell from \$23 billion to less than \$14 billion.

New Policies Affecting Soybean Production

The refocusing of Government support away from exports will most affect soybeans, the major field crop grown primarily for export. Soybeans and soybean products were 26 percent of agricultural exports and 10 percent of total exports in 1985, a year of record harvest. Brazilian soybeans and

products are important in world markets; Brazil is the world's largest exporter of soybean meal and soybean oil.

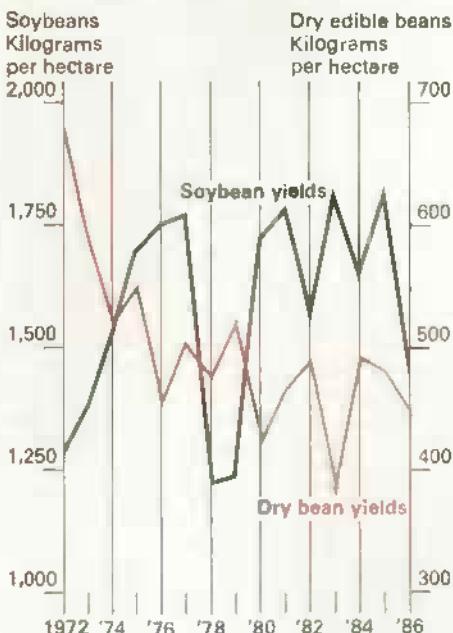
The Brazilian Government is using several agricultural policies to encourage farmers to move away from soybeans into domestic food crops. These policies encompass land reform, research and extension programs, credit, and price supports.

The land reform program, announced in May 1985, plans to settle 1.4 million landless rural families by 1989 by redistributing underutilized land to them. This has received so much publicity and widespread support, especially from the church, that the Government has little choice but to proceed with redistribution. Soybean land is unlikely to be redistributed because it is not considered underutilized. The new farmers will likely grow food crops.

Brazil's extension and research programs have focused on soybeans, and yields have improved. On the other hand, dry edible bean yields have declined over the last 15 years. Dry edible beans have the third largest acreage of any crop grown in Brazil.

The new Government has reorganized the research and extension programs to focus on food crops instead of soybeans. Clearly, research changes will have more long-term effects. But the small, poor farmer has not traditionally received significant extension

Yield Trends Reflect Brazilian Extension and Research Emphasis on Soybeans



assistance, so the reorientation of extension services may have quicker results.

Brazil extends loans to farmers based on cost of production. The program has been altered to allow a smaller percentage of soybean production costs to be financed. Moreover, large farmers are not allowed to finance as large a share of their expenses as small farmers are. This reduces the availability of cheap financing for soybean farmers. Marketing loans have similarly been altered to favor domestic food crops.

The Brazilian price support program has become more important for soybeans, because world prices have fallen. Although the support price is low, \$4.13 per bushel for the 1986 crop, it is above market price in the northwestern producing areas, where transport costs are high. The present policy of delaying price support payments to large farmers, and the continuation of the same low support price for the next crop, should effectively discourage plantings.

Internal Prices Will Favor Grain Over Soybeans

The structure of the Brazilian agricultural markets may provide a stronger lever to move farmers out of soybeans. Although more corn is harvested in Brazil than soybeans, the amount of corn traded internationally is limited, and the Government controls and restricts the quantity traded. Because there is so little international trade, Brazilian prices for corn, rice, dry edible beans, manioc, and other staples are not closely linked to world prices.

Therefore, the decline in world grain prices is unlikely to show up in Brazil. But soybean prices are transferred directly from the world market to the Brazilian market, and lower world prices may discourage Brazilian production.

Soybean Area Momentum

Other factors may offset the price and policy changes. The land reform program gives large owners with underutilized arable land a strong incentive to bring it into production before it gets taken over by the Government. Moreover, the economic reforms that have reduced inflation have made investment in agriculture more attractive than speculative financial investments.

Brazilian Exports and Imports

Crop year	Soybean	Meal	Exports			Imports	
			Oil	Corn	Rice	Corn	Rice
Thousand metric tons							
80/81	1,533	6,936	809	0	0	2,000	242
81/82	1,502	8,562	1,212	7	50	0	0
82/83	797	7,822	873	700	14	0	180
83/84	1,316	7,994	947	450	7	500	340
84/85	1,580	7,690	920	385	0	440	41
85/86	3,456	8,626	935	56	0	1,100	700
86/87	1,300	6,900	550	0	0	2,800	900

Government Price Supports

1985/86 1986/87

Dollars/metric ton

United States

Soybeans	184.45	175.27*
Corn	100.39	75.59
Soy/corn ratio	1.84	2.32

Brazil

Soybeans	191.78	147.00*
Corn	95.86	98.00*
Soy/corn ratio	1.58	1.50*

U.S. loan rates. *Estimate, exact supports not yet announced.

More importantly, soybeans are often the most profitable crop for the large owner. Not only do large farmers often own the needed assets, but in center-west Brazil, the area of agricultural expansion, the erratic rainfall pattern favors soybeans as a less risky crop. The flowering period of soybeans is flexible, so if a dry period occurs during flowering, it has much less effect as long as the rains return. Grains flower at a determined time, so if there is a dry spell at that time, yields are greatly reduced.

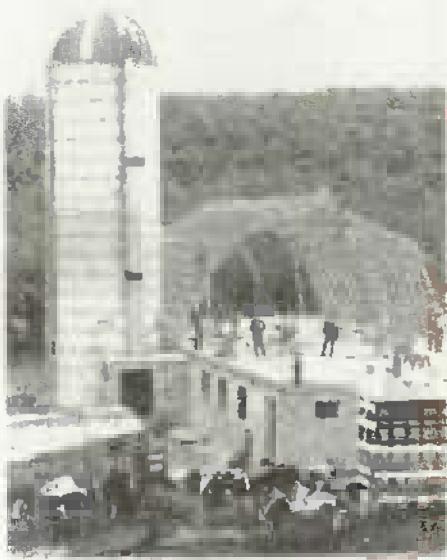
Research has given Brazilian farmers a number of soybean varieties well suited to their soils and growing conditions. Soybean yields in Brazil are high relative to alternative crops. Moreover, large soybean farmers have informal channels in the banking system that give them access to commercial and subsidized credit. It will be difficult to actually redirect subsidies to less organized, more poorly connected farmers.

The expansion of soybean area in center-west Brazil will likely continue despite Government policy changes

and low soybean prices. However, in the southern producing areas, including the largest soybean-producing state, Rio Grande do Sul, soybean farms are smaller, and grain yields are more competitive with soybean yields. In these areas, hundreds of thousands of hectares are likely to shift out of soybeans into crops for domestic consumption.

The decline in the southern area should offset the expansion in the west, leaving soybean area little changed despite expanded total crop area. However, if world soybean prices do not decline, Brazilian soybean area will likely expand.

Brazil's actions may result in its losing some of its share of the world market in soybeans and products. However, the loss in soybean exports will probably be offset by higher food-crop production, resulting in smaller grain imports. [Ed Allen (202) 786-1664]



Farm Finance Update

OUTLOOK FOR 1986

Net cash income for the farm sector in 1986 is forecast at \$43 to \$47 billion, little changed from 1985. In real terms, net cash income could fall slightly from 1985. Crop farms are expected to account for 55 to 60 percent of income, down from 62 percent in 1985. Much of the strength in crop-farm net cash income will be derived from direct Government payments and CCC price-support loans.

Net farm income will likely be between \$25 and \$29 billion. Overall, the farm sector's contribution to the Gross National Product will be smaller in 1986, largely because of reduced crop output.

Government Outlays To Be Record Large

Government payments and declining production expenses are the two most important elements of the 1986 farm income forecast. Calendar year 1986 Government outlays to the farm sector will likely reach unprecedented levels, as direct payments total a record \$10 to \$13 billion and net CCC loans add another \$8 to \$12 billion. In 1985, outlays totaled nearly \$22 billion for the three major components which directly impact gross farm income (direct payments including all deficiency and diversion programs, net CCC loans, and purchases of dairy products under the dairy price support program).

Why are Government outlays so high?
There are several reasons:

- Market prices near or below loan rates are making participation in farm programs a virtual necessity for financial survival.
- Lower loan rates, with target prices unchanged from 1985, are raising 1986-crop deficiency payment rates, resulting in record payments.
- Advancement of over \$3 billion (through June) in 1986-crop deficiency payments for crops such as corn, cotton, and rice, which normally would have been disbursed in calendar 1987.
- The addition of new programs, such as the dairy herd buyout and conservation reserve programs, which will increase outlays this calendar year. The conservation reserve will add much more in upcoming years.
- Increased use of CCC loans in lieu of open market sales. Forfeitures of these loans also leave the CCC with rising inventory carrying costs.
- With rising outlays, the interest owed to the U.S. Treasury on the CCC's borrowed capital (also considered an outlay) increases.

Most Expense Items To Fall

One of the key developments in 1986 is the 4- to 6-percent decline expected for farm production expenses. Cash expenses fell \$3.5 billion in 1985, and are expected to decline another \$4 to \$8 billion in 1986 because of lower input prices and reduced input use. This puts current-dollar cash expenses at the 1980 level. Cash grain and cattle, hog, and sheep farms, which experienced the largest 1984-1985 cash expenditure declines, will likely see further declines relative to other farm types.

If the 6-percent drop in expenses is realized, it would be the largest annual cut since 1932's 19 percent. The recent cut has maintained the farm sector's net income, since the growth in direct Government payments has not fully offset the decline in crop cash receipts.

Savings of \$1 to \$3 billion in 1986 expenses were initially forecast, due mostly to reduced input use. However, the outlook was changed significantly this spring by:

- the large and rapid decline in fuel prices,
- the spillover effect of the drop in energy prices on fertilizer and chemical prices.

Farm Production Expenses: 1982-85

Items	1982r	1983r	1984r	1985	Percent change	
					Million dollars	
Food	18,592	21,725	19,850	19,588	-8.6	-1.3
Livestock	9,696	8,814	9,498	8,991	7.8	-5.3
Seed	3,172	2,987	3,447	3,369	15.4	-2.3
Farm-origin Inputs	31,460	35,526	32,795	31,948	-2.2	-2.6
Fertilizer	8,018	7,066	7,429	7,258	5.1	-2.3
Fuels and oils	7,668	7,503	7,143	6,584	-4.8	-7.8
Electricity	2,041	2,146	2,166	2,073	0.9	-4.3
Pesticides	4,282	4,161	4,768	4,965	14.6	4.1
Manufactured Inputs	22,229	20,876	21,506	20,881	3.0	-2.9
Short-term Interest	11,349	10,615	10,396	8,821	-2.1	-15.8
Real estate interest	10,481	10,815	10,733	9,878	-0.8	-6.6
Total interest charges	21,830	21,430	21,129	18,699	-1.4	-11.1
Repair and operation	7,730	7,543	7,850	7,450	4.1	-5.1
Hired labor	10,182	9,660	9,838	10,347	1.8	5.2
Machine hire and custom work	2,025	1,896	2,170	2,185	14.4	0.7
Dairy deductions 1/	0	633	656	168	3.6	-74.4
Other operating expenses	10,698	10,649	10,859	11,519	2.0	6.1
Total operating expenses	30,635	30,381	31,373	31,669	3.3	0.9
Depreciation	23,886	23,490	23,020	21,101	-2.0	-8.3
Taxes	4,394	4,323	4,384	4,423	1.4	0.9
Net rent to non-operator landlord	6,219	5,441	7,504	7,387	37.9	-1.6
Other overhead expenses	34,499	33,255	34,908	32,911	5.0	-5.7
Total production expenses	140,654	139,468	141,712	136,108	1.6	-3.9

8/01/86 r = revised. Totals may not add due to rounding.

- the absence of increases in the prices of most other less-energy-intensive inputs such as machinery and building materials, and
- lower-than-expected market interest rates and outstanding debt.

Declines of about a tenth are anticipated for energy-intensive manufactured inputs and interest expenses. Lesser decreases are expected for farm-origin inputs, capital repair, and animal health costs. Interest expenses are expected to fall because of a 6- to 8-percent drop in the average interest rate on outstanding debt, and a 3- to 5-percent decline in average outstanding debt.

Livestock Receipts Forecast Up

Crop cash receipts are expected to fall \$7 to \$11 billion to \$61 to \$65 billion. Farmers are again expected to place large quantities of grain and cotton under CCC loan. Total crop output is expected to decline 5 percent, mostly because of lower harvested acreage for program commodities. Average prices received by farmers for crops are forecast to decline 8 to 12 percent, with program commodities such as corn and cotton contributing most of the downward influence.

Livestock cash receipts are expected to rise slightly from the \$69.4 billion of 1985 to \$69-\$73 billion. Livestock marketing volume is expected to remain near 1985, as record or near-record production of milk and poultry products offsets declining red-meat animal output. Prices received for livestock and products are expected to rise slightly from 1985, as stronger hog and poultry prices outweigh reduced milk prices. Cash receipts for poultry and eggs are expected to rise more than a tenth, likely surpassing the record of 1984, when avian influenza caused poultry and egg prices to increase substantially.

1985 Estimates Completed

The first estimates of aggregate 1985 U.S. farm income and balance sheet statistics based on survey data indicate that higher crop cash receipts, continued strong Government payments, and declining cash expenses led to an increase in net cash income of roughly \$5 billion, to a record \$44.1 billion (table 31). Net farm income in 1985 totaled \$30.4 billion, down from \$32.7 billion in 1984. *(Gary Lucier and Richard Kodi (202) 786-1809)*

Balance Sheet of the U.S. Farming Sector

Item	1982	1983	1984	1985	1986F	Million dollars	Bil. dol.
Assets							
Real estate	745,611	736,085	639,600	559,557	510-560		
Non-real estate							
Livestock & poultry	52,993	49,677	49,647	45,939	47-51		
Machinery & motor vehicles	103,675	100,928	94,994	92,201	87-91		
Crops stored	40,594	33,236	33,732	37,086	33-37		
Financial assets	34,941	36,549	38,120	36,657	34-38		
Total non-real estate	232,203	220,390	216,493	211,883	190-230 ^a		
Total farm assets	977,814	956,475	856,093	771,440	710-760		
Liabilities							
Real estate	101,238	103,727	102,915	97,300	91-95		
Non-real estate							
CCC loans	15,433	10,797	8,719	16,928	20-24		
Other non-real estate	86,973	87,922	87,115	77,870	71-75		
Total non-real estate	102,426	98,757	95,969	94,798	92-97		
Total farm liabilities	203,644	202,446	198,749	192,098	183-192		
Total farm equity	774,170	754,029	657,344	579,342	520-570		
Percent							
Selected ratios							
Debt-to-asset	20.8	21.2	23.2	24.9	22-26		
Debt-to-equity	26.3	26.9	30.3	33.2	30-34		
Debt-to-net cash income	553.1	545.5	506.0	436.2	390-430		

STATES SURVEY FARM FINANCIAL CONDITIONS

Results of a January 1986 survey conducted by the Midwest Association of State Departments of Agriculture in nine States (Illinois, Iowa, Kansas, Michigan, Missouri, Nebraska, North Dakota, Ohio, and Wisconsin) suggest:

- There will likely not be an unusually large exodus from farming in 1986. Five percent of the farm operators in the survey area were not planning to farm in 1986. In a normal year, 4.5 percent of operators cease farming for a variety of financial and personal reasons. The rates ranged from 3 percent in North Dakota to 6.4 percent in Nebraska.
- Financial problems were not indicated as the main reason for most farmers for ceasing operation. Six percent of Missouri farmers plan to leave farming in 1986, but health,
- retirement, and other personal reasons, not financial difficulties, were identified as the major forces in deciding to quit. In Ohio, 5 percent plan to cease operations, but only 2 percent for financial reasons.
- Financial problems had a greater effect on family-size commercial farms. Financial problems were the cause of planned departure of 5 percent of Missouri farmers with sales between \$40,000 and \$100,000. Only 1 percent of the farmers in this sales class are quitting for any other reason (retirement). Five percent of Ohio farm operations with sales between \$40,000 and \$100,000 plan to quit, 3 percent for financial reasons.
- The incidence of operators quitting varies widely within States, among areas (Crop Reporting Districts—CRD's), farm types, and sales classes. While 5 percent of Illinois operators expected to quit in 1986, within the State the percentage

Reconciliation of Total Farm Production Expenses and Cash Expenses

Year	Total production expenses	Interest	Less operator dwelling expenses				Less capital consumption	Less labor parks	Equals total cash expenses.
			Taxes	Repairs	Insurance	Total			
Million dollars									
1980	133,138	624	284	413	669	1,990	21,474	579	109,095
1981	139,444	746	304	293	729	2,072	23,573	555	113,244
1982	140,654	848	317	355	859	2,379	23,886	637	113,753
1983	139,468	868	315	223	915	2,320	23,490	616	113,040
1984	141,712	854	319	356	925	2,454	23,020	653	115,585
1985	136,108	769	309	299	910	2,287	21,101	589	112,131

1/ The category "cash expenses" is largely an accounting concept, while "total production expenses" is a broader measure incorporating costs associated with maintenance of the farm household and hired labor.

Farming Intentions and Loan Delinquencies, January 1986*

State	Operators expecting to quit in 1986	Delinquent on principal and/or interest	
		Real estate loans	Non-real estate loans
Percent			
Illinois	5.0	11.6	14.3
Iowa	4.9	11.9	14.5
Kansas	5.6	7.9	8.7
Michigan	4.3	5.0	8.0
Missouri	6.0	10.0	10.0
Nebraska	6.4	8.2	9.7
North Dakota	3.0	8.6	8.7
Ohio	5.0	4.0	5.0
Wisconsin	4.4	3.2	12.3
Arkansas	3.0	8.4	6.4

*Based on Farm Finance Surveys conducted in various States.

ranged from 11 percent in the Southeast CRD to less than 1 percent in the East Southeast CRD.

Only 4.4 percent of Wisconsin farmers expect to cease operations in 1986, but this includes 12.5 percent of the fruit and vegetable growers and 7.1 percent of those with sales less than \$40,000. In Kansas, 5.6 percent of all operators plan to quit, including 10.3 percent of swine producers and 20.0 percent of operations less than 10 acres. But only 3.7 percent of farms greater than 2,000 acres, and 1.6 percent of those with sales greater than \$250,000, plan to exit farming.

- Current loan delinquency problems are large but many delinquent operators plan to continue farming. In Nebraska, 6.4 percent of all farmers expect to quit in 1986, and principal and/or interest payment delinquency

rates are 8.2 percent on real estate debt and 9.7 percent on non-real estate debt.

In Nebraska's Southeast CRD, 14.0 percent of the farmers expect to quit, but delinquency rates are only 7 percent on real estate debt and 6.0 percent on non-real estate debt. In the Central CRD, only 1.4 percent intend to cease operations, but the delinquency rates are much higher—12.2 percent and 14.9 percent.

- Current loan delinquency problems do affect the length of time operators expect to continue farming. In response to "If current trends in income and expenses continue, how long will you be able to farm?", 11 percent of North Dakota farmers felt they could not make it past 1987. Almost 61 percent of these are delinquent on loan payments.

Of the 38 percent who said they could farm for 2-5 years, 22 percent are delinquent; of the 8 percent lasting 6-10 years, 9 percent are delinquent; and of the 43 percent of North Dakota farmers anticipating operating until retirement, less than 3 percent are currently delinquent.

- Lack of adequate off-farm employment opportunities may be contributing to operators remaining in farming. Almost 25 percent of Nebraska operators' income is from non-farm sources (largely financial assets), and 82 percent believe that adequate off-farm income opportunities do not exist. Of those Michigan farmers who expect to quit within the next 2 years, half were uncertain as to their future. Sixty-three percent expressed the need for some form of personal, job, or educational assistance.

The vast majority of farmers appear to be intent on remaining in farming in spite of any current financial problems. The incidence of exit varies widely within States, depending on geographic area, farm type, size, sales volume, and age of operator. Variation is less evident between States. Current loan delinquency problems may have improved slightly, but apparently not enough to buoy expectations of continuing operations. Farmers with current financial problems are wary of a continuation of present trends in income and expenses. [Jim Ryan (202) 786-1802]

SURVEY ANALYSIS: CASH FLOWS AND LEVERAGE POSITIONS

Data obtained from approximately 13,000 survey respondents in the U.S. Department of Agriculture's Farm Cost and Returns Survey (FCRS) indicate that over 55 percent of all farms had positive cash flows in 1985, compared with 49 percent in 1984.¹ The improvement is partially due to a shift in marketing patterns. It appears that substantial marketings, scheduled for early 1986, were shifted to CCC placements in late 1985.

However, overall leverage positions worsened. Debt/asset ratios were greater than .4 on 21 percent of all farms, compared with 19 percent in 1984. The percentage of debt held by these highly leveraged farms increased from 62 percent to 66 percent.

Nevertheless, it appears that much of the farm sector is not experiencing financial stress. Nearly 40 percent of all farms were debt-free on January 1, 1986, and another 39 percent had debt/asset ratios less than .4.

The proportion of farms in the most vulnerable financial position—negative cash flows and debt/asset ratios greater than .4—decreased during 1985 from 12.6 percent to 11.2 percent of all farms. Operator debt held by these units declined from 45 percent to 37 percent of total debt. This suggests an improvement in the condition of farms with the most serious financial problems, although a less optimistic interpretation is that many problem farms shut down during 1985.

A farm operation is technically insolvent when its debt/asset ratio is greater than 1.0, that is, its outstanding debt is greater than the value of its assets. Less than 4 percent of all farms were in this extremely vulnerable position as 1986 began, but two-thirds of these had financial difficulties compounded by negative cash flows during 1985.

Condition by Size

Over 33 percent of family farms with annual sales between \$40,000 and

Distribution of Operator Debt: Sales Class

	Per-cent of all U.S. farms	Debt/asset ratio				Negative cash bal- ances
		0 - .40	.40 - 1.00	1.00	All	
Percent						
\$500,000 and above	2.1	5.7	10.1	2.8	18.6	26.3
\$40,000-\$499,999	38.1	20.6	33.9	11.4	66.0	36.2
Less than \$40,000	59.8	7.3	6.2	1.9	15.5	50.6
All	100.0	33.7	50.2	16.1	100.0	44.6

Distribution of Operator Debt: Type of Farm

		Debt/asset ratio				Negative cash balances
		0 - .40	.40 - 1.00	1.00	All	
Percent						
Cash grain	10.7	19.8	6.8	37.3	37.9	
Field crop	1.6	1.8	.8	4.2	53.3	
Vegetables & fruit	2.0	2.7	.7	5.4	42.0	
Nursery	.5	.3	.3	1.1	20.6	
General crop	1.5	2.3	1.1	4.9	46.6	
General livestock	9.8	12.3	4.5	26.6	48.2	
Dairy	5.7	9.3	1.7	16.7	45.3	
Poultry	.7	.7	.2	1.6	29.4	
Other livestock	1.4	1.0	.1	2.5	52.8	
All	33.7	50.2	16.1	100.0	44.6	

Distribution of Operator Debt: Region

		Debt/asset ratio				Negative cash balances
		0 - .40	.40 - 1.00	1.00	All	
Percent						
Northeast	2.4	2.0	.4	4.8	44.8	
Lake States	4.4	8.7	3.1	16.2	49.6	
Corn Belt	6.4	13.3	3.9	23.6	37.6	
Northern Plains	3.6	7.7	2.8	14.1	40.8	
Appalachian	2.5	1.6	.7	4.8	52.8	
Southeast	1.4	2.2	.6	4.2	44.4	
Delta	1.1	1.6	1.1	3.7	49.5	
Southern Plains	4.5	3.4	1.5	9.4	45.5	
Mountain States	3.5	4.5	.9	8.9	47.5	
Pacific States	4.0	5.3	1.1	10.4	39.4	
All	33.7	50.2	16.1	100.0	44.6	

¹As measured here, net cash flow is the balance remaining after all cash obligations, including interest, principal payments, and family living allowance, have been deducted from total income from all farm and nonfarm sources.

COMMERCIAL BANK FAILURES RISING

The Federal Deposit Insurance Corporation (FDIC) now forecasts 140-160 bank failures during 1986. Banks in Texas, Oklahoma, Louisiana, Colorado, and Kansas are considered the most vulnerable because of their loans to firms in the declining oil and gas industries. Failed banks in these five States accounted for 43 percent of 1986 failures through June 30.

A broader view of the financial problems faced by banks reveals that 39 (60 percent) of the banks that failed in the first half were headquartered in States that are net energy exporters. These 14 States also experienced 21 of the 38 rural bank failures and 46 percent of the agricultural bank failures. While most rural and agricultural banks do not have large energy loan portfolios, depressed economic conditions in areas dependent on oil and gas production place considerable stress on these institutions.

The failure of First Oklahoma on July 14 (the second largest insured bank failure), was attributed to the declining quality of its energy and real-estate loans. While not an agricultural bank, its agricultural loans (about 12 percent of its \$1.1-billion loan portfolio on March 31, 1986) were greater than the total assets of most agricultural banks.

Many other large energy banks also have substantial volumes of farm loans outstanding. Bank holding companies in Texas, Oklahoma, and Louisiana with more than \$1 billion in assets had only 2 percent of their loans supporting farm activity on average, but accounted for \$1.09 billion of farm loans as of June 30, 1985. While these banks are not all overburdened with poor energy loans, they are in the three States which contain the majority of "energy" banks identified by bank regulators. Failures of such banks in the Southwest would have

Failed Commercial Banks

	Total 1/	Agricultural 2/	Rural 3/
1981	7	1	3
1982	33	10	19
1983	44	7	15
1984 Qtr. 1	13	3	6
Qtr. 2	30	6	11
Qtr. 3	16	10	9
Qtr. 4	18	12	15
1984 Total	77	31	41
1985 Qtr. 1	20	13	14
Qtr. 2	32	21	20
Qtr. 3	33	17	23
Qtr. 4	33	18	24
1985 Total	118	69	81
1986 Qtr. 1	26	14	17
Qtr. 2	39	14	21
1986 First half	65	28	38

1/ Totals exclude mutual savings banks, savings and loan associations, commercial banks not insured by the FDIC, and banks headquartered in U.S. possessions and territories. Failures for 1986 are as of June 30. 2/ Agricultural banks are those for which the ratio of farm (both production and real estate) loans to total loans exceeded the average of such ratios at all banks in December of the year preceding failure. Agricultural bank classifications for 1986 are preliminary. 3/ A failed bank is classified as rural if its headquarters was located in a nonmetropolitan county. There are about 7,900 rural banks, and 5,000 agricultural banks, of which roughly 4,500 were also rural. There are approximately 14,000 banks in the United States.

negative implications for credit availability in rural and farm communities.

Although most failed rural and agricultural banks are relatively small and reopen under new management, bank failures can have adverse effects on local credit availability. Debtors with troubled loans held by failed banks are probably hurt the most. No bank, including the acquiring bank, will freely buy such loans; the FDIC is often left to administer them. The FDIC tends to be strict with problem debtors since its legal responsibilities are to the failed banks' depositors, bondholders, and stockholders. Agricul-

tural loans totaling \$460 million were held by banks that failed in 1985.

Marginally qualified borrowers in a community where a bank has just failed may also find it difficult to secure credit if the community has few other lending institutions. While replacing failed banks with healthy banks is beneficial, many of these acquiring banks appear to be more risk-averse than the failed institutions, and may make fewer local loans. Moreover, when a local bank fails, the remaining banks may extend less credit, so that their liquidity positions are improved and they appear safer. (Gregory Gajewski (202) 786-1884)

Distribution of Lender-Held Debt by Debt/Asset Ratio

	Debt/Asset			Total
	Less than .40	.40 - 1.00	Greater than 1.00	
	Percent			
Commercial banks	37.8	48.6	13.7	100.0
Federal Land Banks	32.5	56.9	10.6	100.0
Farmers Home Administration	15.4	47.9	36.6	100.0
Production Credit Association	41.1	48.1	10.9	100.0
Commodity Credit Corporation	32.1	54.0	13.9	100.0
Other individuals	41.2	47.1	11.7	100.0
Merchants and dealers	41.6	41.2	17.2	100.0
Other farmers	29.9	46.4	23.8	100.0
All	33.7	50.2	16.1	100.0

Lender Shares of Farm Debt, January 1

	1986	1985
	Percent	
Commercial banks	29.6	28.6
Federal Land Banks	23.9	25.3
Farmers Home Administration	16.2	13.7
Production Credit Association	8.4	10.0
Other individuals	12.0	14.5
Life insurance companies and others	6.8	6.0
Merchants and dealers	1.8	1.9
Other farmers	1.3	N.A.

\$500,000 had debt/asset ratios greater than .4, compared with 21 percent of all farms. Over 52 percent of these farms had negative cash flows in 1985. Almost 6.7 percent were technically insolvent compared with 3.9 percent of all farms, and over two-thirds of these large insolvent farms experienced negative cash flows. Family-size commercial farms account for 38 percent of all farms, but are carrying 66 percent of the debt.

Farms with sales greater than \$500,000 account for 2 percent of all farms, and include a large proportion of high-value specialty crop producers. While over 68 percent of these farms are highly leveraged, only 26 percent reported negative cash balances, suggesting that most of these large farms generate sufficient income to service high debt loads. Almost 19 percent of all farm debt is held by these farms.

Farms with sales less than \$40,000 tend to have larger income from non-farm sources which may offset farm losses. Over 50 percent of these opera-

tions reported negative cash balances. These units account for almost 60 percent of all farms, and owe less than 16 percent of all debt. A higher proportion of these operations have little or no debt.

Condition by Type of Farm

Cash grain farmers were the most indebted operators, carrying 37.3 percent of all farm debt into 1986. But these farmers seemed to have sufficient earnings to meet all expenses, as less than 38 percent reported negative cash balances.

General livestock farms were the next most heavily indebted group, owing 26.6 percent of all debt. Over 48 percent of general livestock producers failed to generate positive cash balances.

Field crop (cotton/tobacco) farmers had the largest proportion of producers in cash flow difficulty, as over 53 percent had negative cash balances. Less than 21 percent of nursery producers had negative cash balances.

Condition by Region

The Corn Belt is the most heavily indebted region of the country, carrying 23.6 percent of all farm debt. Farms in the Midwest as a whole (Corn Belt, Lake States, and Northern Plains) hold almost 54 percent of all debt owed by U.S. farm operators. These regions have suffered the greatest land value depreciation in recent years, but relatively fewer of these farms reported negative cash balances, suggesting that many have been able to service their higher debt loads. A continuation of heavy Government support for commodities produced in this region may be necessary for the next few years.

Agricultural Credit Prospects

Highly leveraged farms are at considerable risk, and the potential impact of their inability to meet financial obligations could be devastating for lenders. The distribution of lender-held debt by borrowers' leverage suggests that most lenders' portfolios are at some risk. Over 84 percent of Farmers Home Administration (FmHA) debt is held by farmers with debt/asset ratios greater than .4, with over 35 percent held by technically insolvent operations.

The Farm Credit System (Federal Land Banks and Production Credit Associations) appears to be at less immediate risk than private-sector lenders. Less than 11 percent of combined FLB/PCA debt is held by technically insolvent operations. However, over 65 percent of Farm Credit debt is owed by borrowers with debt/asset ratios greater than .4, suggesting potential repayment problems in the future.

As the Farm Credit System has reduced outstanding loans, it has experienced a decrease in market share, from 35.3 percent of all non-CCC debt to 32.3 percent over the 1985 calendar year. Simultaneously, FmHA share increased from 13.7 percent to 16.2 percent.

Commercial banks appear to be at a slightly greater risk than the Farm Credit System. The commercial-bank share of debt increased from 28.6 percent to 29.6 percent. Bank reports support this survey finding, suggesting that banks are lending to former PCA borrowers and requiring real estate as collateral for short-term loans.

Generally, it appears lenders are continuing to impose credit restraints on borrowers, encouraging debt reduction and further contraction of farm businesses. Credit denial by private lenders has increased the role of the Farmers Home Administration in providing financing for those unable to obtain it elsewhere.

While 1985 was a relatively high-income year for agriculture, the farm sector is still experiencing much financial stress. Family-size commercial farms, particularly cash grain and general livestock farms in the Lake States, Corn Belt, and Northern Plains, have experienced an erosion of asset values. This exposes these farms, and the institutions that provide them credit, to an increasing level of risk.

CCC commodity loans and direct payments have allowed these producers to maintain a cash flow adequate for their obligations. Continued Federal involvement is likely as the sector adjusts to lower commodity prices and further declines in asset values. [Jim Ryan (202) 786-1802]

Upcoming Economic Reports

Summary Released Title

September

- 3 Wheat
- 11 World Ag. Supply & Demand
- 16 Tobacco
- 17 Dairy
- 18 Agricultural Outlook
- 19 Sugar & Sweetener
- 22 Vegetable
- 23 World Agriculture
- 24 Agricultural Resources
- 25 Rice
- 26 Econ. Indicators of the Farm Sector

Summaries are released electronically on the dates indicated; the full reports, including tables, may also be accessed 2 to 3 days later. For details, call (202) 447-5163.

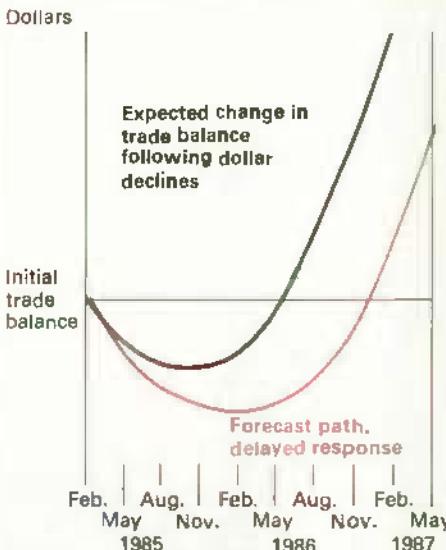


General Economy

Two major factors have set the stage for faster economic growth in 1986: a declining dollar and falling interest rates.

By the end of 1985, the dollar had fallen 20 percent against a basket of currencies, and against some individual currencies the decline was even more dramatic. The declines tended to make imported goods more expensive to U.S. consumers, while making U.S. goods less expensive to foreigners. The result should have

Trade Balance Response To Dollar Devaluation May Actually Occur 2 to 4 Quarters Later than Forecast*



*Response, known as "J curve," traces out theoretical path of trade balance following a currency devaluation.

been falling imports and rising exports, which in turn should have spurred U.S. production and employment.

The main effect of the depreciation of the dollar was expected about 4 to 6 quarters after the initial decline. Between the time consumers responded to the price signals and the dollar's initial fall, it was expected that the nominal trade balance would continue to worsen. This effect, known as the "J curve," arises because consumption patterns take time to change. For a time, U.S. consumers buy higher priced imports while foreign consumers have yet to discover lower priced U.S. exports. The J curve traces the path of the trade balance after a decline in the dollar.

Using this analysis, a dollar decline beginning in February 1985 should have been felt in trade volumes in the first half of 1986, speeding up 1986 growth and sparking gains in employment and overall production.

The interest rate picture brightened considerably in 1985. Three-month Treasury bills reached a peak for 1985 in March (8.6 percent), and then declined to 7 percent by year's end. Aaa-rated corporate bonds peaked in March (12.6 percent) and then declined to 10.2 in December. Mortgage rates declined continuously through 1985, starting the year near 12.2 percent and finishing at 10.9 percent.

Lower interest rates usually mean an upswing in interest-sensitive areas of the economy: business spending on plant and equipment, business inventory accumulation, consumer purchases of durables such as automobiles and furniture, and consumer purchases of new homes. An upswing in these areas usually leads to a general increase in production and employment.

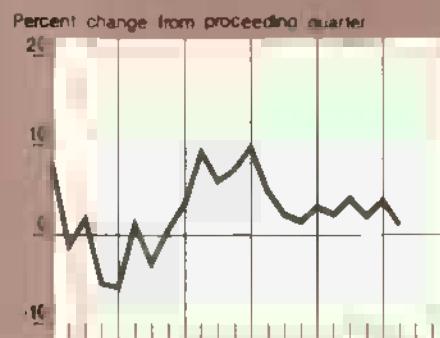
First Half of 1986 Was Disappointing
The first half of 1986 simply did not conform to the pattern most analysts expected. Industrial production declined 1.8 percent, while capacity utilization declined 2.6 percentage points. These declines represented the first 6-month declines since late 1982, the trough of the last recession. Employment grew slowly through

General Economic Indicators

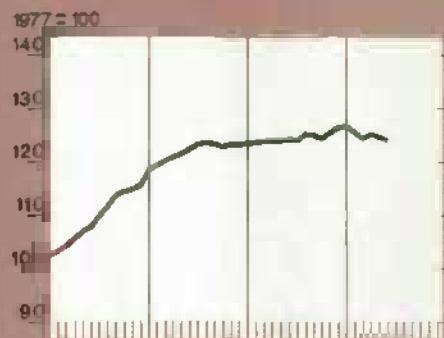
Composite leading economic indicators



Gross national product¹



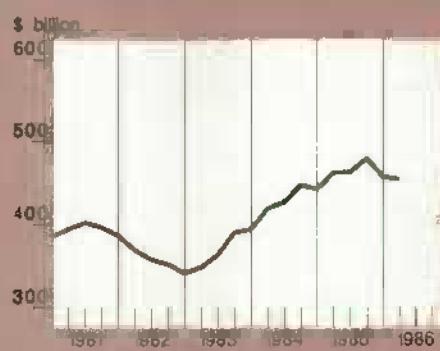
Industrial production



Disposable income and consumption expenditures²



Nonresidential fixed investment²



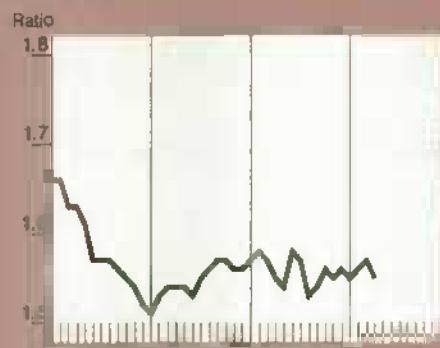
Manufacturers' durable goods orders³



Consumer price index



Inventory/sales⁴



Unemployment rate⁵



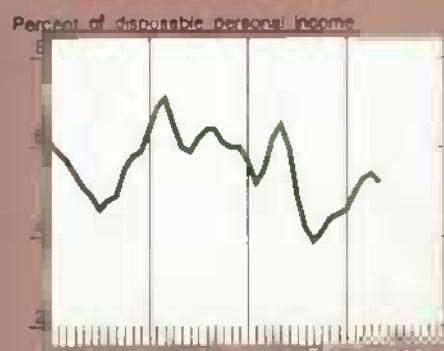
Money supply (M1)



3-month Treasury bill rate



Savings rate⁶



¹Percent change from previous quarter in 1982 dollars. Seasonally adjusted annual rates. ²Billions of 1982 dollars, seasonally adjusted at annual rates.

³Nominal dollars. ⁴Manufacturing and trade, seasonally adjusted, based on 1982 dollar. ⁵Seasonally adjusted.

⁶Calculated from disposition of personal income in 1982 dollars, seasonally adjusted at annual rates.

Sources: U.S. Dept. of Commerce, U.S. Dept. of Labor, and the Board of Governors of the Federal Reserve System.

THE TOKYO SUMMIT: A MANAGED FLOAT AND U.S. AGRICULTURAL EXPORTS

At the Tokyo summit in May 1986, the Group of Seven major industrialized countries (United States, United Kingdom, Japan, West Germany, France, Canada, and Italy) issued a statement which contains the expressed goal of developing policies to reduce the volatility of exchange rates. There are, however, many uncertainties and problems to be faced before a new, "managed" flexible exchange rate system is in place.

Implications for Agriculture

Greater exchange rate stability would benefit trade-dependent sectors of the economy, such as agriculture. Now, in an effort to reduce the risk from fluctuating exchange rates, countries are increasing their food self-sufficiency and/or expanding exports to gain foreign exchange. Once the risk from changes in foreign exchange values is lessened, trade could become increasingly specialized, and agricultural imports should rise. As long as the United States holds a long-term comparative advantage in agriculture, an increase in world commodity trade will be beneficial.

Problems with the Flexible System

A flexible exchange-rate system allows countries to pursue domestic monetary and fiscal policies independent of international considerations. However, these changes can cause large movements in exchange rates.

Under the current flexible regime, if the Federal Reserve pursues a tight monetary policy, the slower rate of growth in the money supply tends to cause real interest rates to rise. This attracts investors to U.S. or Eurodollar money-market instruments, causing the dollar to appreciate.

A stronger dollar makes U.S. exports more expensive to other countries, thereby reducing demand. The price of imports into the United States will decline in dollar terms, pressuring domestic industries that compete with foreign goods to lower their prices. Thus, monetary authorities can reduce inflation under flexible exchange rates, but the trade sector bears the short-term burden of adjustment.

Prospects for a Managed Float

As envisioned by Treasury Secretary Baker, the increased coordination by the Group of Seven would work as follows:

1. They will agree to use standard indicators such as rates of exchange, real growth, inflation, unemployment, interest, and monetary growth; and levels of foreign currency reserves, current account balances, and fiscal deficits, to assess country goals and measure economic performance.
2. Each participating country will set forth its economic objectives and forecasts in terms of these measures.

3. The Group of Seven, along with the managing director of the IMF, will review forecast objectives for domestic and international consistency.

4. If significant deviations from planned performance occur, the Group of Seven will try to reach agreement on appropriate actions, focusing on policy fundamentals.

Although in principle this implies a workable system, there are still many problems which need to be resolved. Countries must give up a large degree of domestic policy autonomy. Are the major industrial powers prepared to subordinate their domestic objectives to international stability? History leads to some skepticism.

Policy coordination works fine when countries have common goals. The recent interest-rate reductions agreed to by the United States, Japan, and West Germany are an example of this. However, there will certainly be instances in which goals do not appear beneficial to all. An example is that of Japan's and West Germany's unwillingness to stimulate their domestic economies in order to reduce their trade surpluses. Both the Japanese and West German Governments are far less willing to risk inflation, even at the cost of economic growth, than is the United States. Thus, the key problem with this agreement is that, except for moral suasion, there is no mechanism of enforcement. (Mathew Shane 786-1705 and David Stallings 786-1724)

July, but the sectoral pattern showed a 181,000-job decline in manufacturing and a 1.2-million-job increase in service employment.

The merchandise trade deficit for the first 6 months of the year was considerably worse than during the same period in 1985. While housing starts boomed in the first half and auto sales were up slightly over 1985, these sectors were too small to boost overall growth.

The current estimate of real GNP growth during the first half of the year is 2.4 percent, but much of that growth was due to unintended inventory accumulation. Looking at final sales, real growth was 1 percent over the first half of the year, considerably under the 3.5- to 4.0-percent range envisioned by many analysts.

Business investment spending, rather than rising, fell a surprising 1.1 percent from its 1985 level and inventories piled up due to unexpectedly weak demand.

A Slip in the Oil Patch

One of the major reasons the first half of 1986 was weaker than anticipated was the abrupt drop in crude oil prices. From June 1985 to June 1986, oil prices fell nearly 70 percent, using the North Sea Brent benchmark crude price.

The immediate impacts of tumbling prices were layoffs and lower investment spending, setting off a round of negative multiplier effects in oil-producing States. Employment in mining, petroleum, and coal-product

production fell by about 126,000 from December 1985 to June 1986, about a 12-percent decline. Production in the oil and gas extraction industry fell 9 percent from December 1985 to May 1986.

The oil industry accounted for about 10 percent of all business spending on new plant and equipment in 1985. About 25 percent of the industry's 1986 spending plans were cancelled as prices fell. Over the first half of the year, real fixed nonresidential investment fell about \$5.5 billion, of which about \$3.1 billion was due to declines in petroleum exploration and drilling equipment. Even with falling interest rates, the decline in capital spending by the petroleum industry left overall capital spending weak.

Second-round effects from the oil layoffs are plaguing the States in which crude production is concentrated: Texas, Louisiana, California, Alaska, Oklahoma, and Wyoming. Together these States accounted for 21 percent of all retail sales in 1985, and over 25 percent of all housing starts. Sluggishness in overall U.S. retail sales, which rose 1.1 percent from January 1986 to June 1986, compared with 6.8 percent over the same period in 1985, is in some part due to loss in purchasing power in the oil-producing States. Although housing starts in these States have been brisk, they would have been even faster with more normal economic growth.

While the benefits of lower oil prices are asserting themselves slowly, and will ultimately outweigh the immediate negative impacts of the abrupt fall, much of the sluggishness of the first half is attributable to the shock to the oil industry.

Where is the Turnaround in Foreign Trade?

Although the dollar's decline was expected to bring some relief to the manufacturing sector by turning around merchandise exports and imports, the turnaround has yet to be seen in trade statistics. Over the first 6 months of 1986, the trade deficit averaged close to \$14 billion a month, up from the \$13.2 billion averaged during the last half of 1985. Without a recovering manufacturing sector, the expected faster growth of 1986 evaporates. What is so different about this trade deficit that makes it so hard to turn in favor of the United States?

One possibility is that there is nothing different, and that the expected turnaround is just around the corner. The worsening first-half trade balance could be just a manifestation of the J curve, and further evidence that the adjustment is on the way. The 4- to 6-quarter lag in volume adjustment is hardly precise, and the effect could take a few quarters longer.

This lengthening of the lag time could be due to changes in the foreign exchange market. Exchange rates are now more market-determined than before, and market participants may

take more time to read the price signals to make sure that exchange rate movements are not just transitory.

Further, there is some evidence that foreign exporters are cutting profit margins in an attempt to maintain their share of the U.S. market, just as they let their profit margins rise when the dollar rose in 1983 and 1984. These reasons suggest that trade volume changes should become apparent in the third and fourth quarters of this year, delaying the expected faster economic growth but not eliminating it.

There are some unusual aspects of this trade deficit, however, which may help to explain the sluggish response. Although the dollar has fallen overall, it has not fallen appreciably against those currencies which comprised about half of the U.S. merchandise import bill in 1985. For example, the U.S. dollar has not depreciated against the Canadian dollar. Canada alone accounted for about 25 percent of U.S. exports and 21 percent of imports in 1985. Currencies of other major suppliers of U.S. imports, such as Taiwan, South Korea, and Hong Kong, have not appreciated either.

What's Ahead?

The stage is still set for faster economic growth, only the performance is starting a little later than everyone thought. Lower oil prices have led to a virtually inflation-free first half of 1986, and have also reduced interest rates. Once the initial negative impacts of the oil-price decline on capital spending are past, lower interest rates should boost the economy.

Residential construction should continue to be brisk. As the manufacturing sector revives in the latter part of 1986 and into 1987, employment and personal income should grow. Real growth in 1986 could be about the same as 1985's 2.7 percent, with inflation around 3 percent and interest rates near current levels. With a shrinking trade deficit, real growth should accelerate in 1987, bringing faster disposable income growth and slightly higher interest and inflation rates.

What Could Go Wrong?

It is most likely that the economy will speed up late in 1986 and accelerate through 1987. As the first half of 1986

has shown, however, nothing is certain. There are several factors which will, over the next few months, help to determine whether growth slows or accelerates. Among them:

- Another abrupt decline in oil prices could send the 6 major U.S. oil-producing States into very severe straits and add stress to an already-burdened financial sector. On the other hand, if OPEC manages to curtail production and force prices up, real consumer and business income could be reduced.
- Responses to a larger-than-expected budget deficit for 1986 and 1987 could force considerable Federal spending cuts, which would have the immediate impact of weakening overall demand in the economy.
- Without solid foreign economic growth, the market for U.S. exports will be weaker than forecast, extending the time between the dollar decline and the trade-volume turnaround.

/Ralph Monaco (202) 786-1283/

Upcoming Releases from the Agricultural Statistics Board

The following list gives the release dates of the major Agricultural Statistics Board reports that will be issued by the time the October Agricultural Outlook comes off press.

September

2	Egg Products Poultry Slaughter
4	Dairy Products
5	Celery
10	Vegetables
11	Crop Production
12	Turkey Hatchery
15	Milk Production Cattle on Feed
18	Hop Stocks
19	Citrus Fruits Catfish
22	Hogs & Pigs Livestock Slaughter Cold Storage
23	Eggs, Chickens, & Turkeys
26	Potatoes & Sweetpotatoes
29	Peanut Stocks & Processing Soybean Stocks
30	Egg Products Agricultural Prices



Conservation Reserve Signup Mirrors Successful Soil Bank Program

The Conservation Reserve Program (CRP) has enrolled just over 3.8 million acres in 1986.¹ The first signup (March 1986) received bids on 4.8 million acres, but only 838,000 were accepted. During the second signup (May 1986), 4.6 million acres were bid, and 3 million were accepted. Bid acceptance was higher in the second period because farmers had a better idea of the rate the Government would pay. A third signup period was held in August. Results will be known by the October *Agricultural Outlook*.

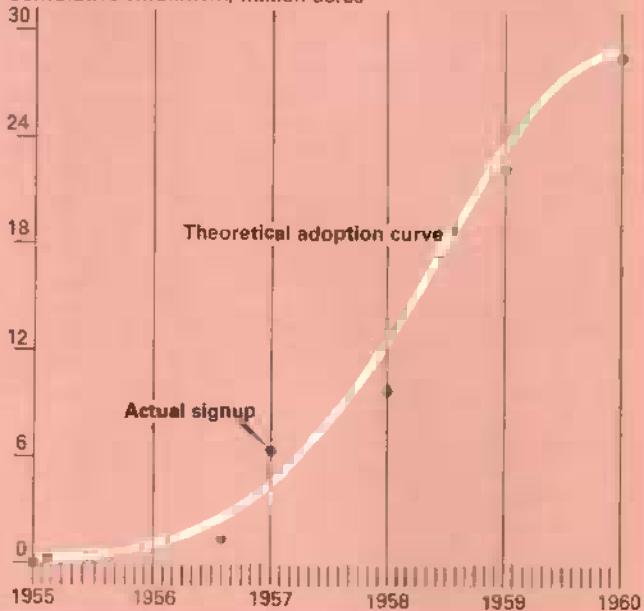
The enrollment goal for the 1986 crop year is 5 million acres, and there is concern over the program's ability to reach its goal of 40 to 45 million acres by 1990. A look at the way the CRP's predecessor, the Soil Bank, began may shed some light on the current and future performance of the CRP.

Soil Bank

The Soil Bank subtitle of the Agricultural Act of 1956 contained a long-term retirement program (Conservation Reserve, SBR) and a shorter-term program (Acreage Reserve Program, ARP). The ARP was terminated after 3 of its intended 4 years because Congress felt it was too expensive. In fact, production of allotment crops continued to increase when the ARP was in effect, despite the 12.2-, 21.3-, and 17.2-million-acre enrollments for 1956, 1957, and 1958, respectively. The respective Government outlays were \$260, \$614, and \$696 million.

Soil Bank Signup Followed Theoretical Pattern...

Cumulative enrollment, million acres



...Likewise, Conservation Reserve Program Signup Is Expected to Accelerate

Cumulative enrollment, million acres



The Soil Bank's Conservation Reserve Program provided 3- to 10-year contracts (10 to 15 years for trees). The SBR differed from the ARP by having a lower payment rate per acre and a longer contract period, and by allowing enrollment of any land used for field crop production. Lands placed into the SBR could not be used for haying, grazing, Christmas trees, or fruit production.

¹Acreage based on accepted bids. Acreage placed under contract will differ somewhat due to ground checks to determine field sizes, and whether fields qualify based on erosion rates and other factors.

Soil Bank participants were eligible for two types of payments: annual payment, which represented the rent paid for keeping the land out of production, and cost-share payments, to help defray the cost of conservation practices.

In addition, participants who enrolled their whole farms were given a 10-percent bonus. Enrollees were given 80 percent of the cost of establishing permanent vegetation. Farmers could enroll as much land as desired, with no county-wide limits.

Conservation Reserve Program

The CRP of the 1985 Food Security Act is designed to reduce excessive wind and water erosion on highly erodible cropland. Farmers may receive annual rental payments, plus 50 percent of the cost of establishing a permanent cover crop. Rental payments are determined by the amount farmers bid to put cropland into the CRP. Enrollment in the CRP is for 10 years. No more than 25 percent of the cropland acreage in any county may be enrolled, and farmers can enroll only those fields containing at least two-thirds of the cropland considered highly erodible.

The CRP acreage is removed from a farmer's productive cropland base. Also, farmers' base acreage is reduced by the ratio of CRP base acres to total cropland.

The Adoption Process

The rate at which a new program, technology, or idea (innovation) is accepted over time is known as the adoption process. The CRP and SBR programs can be thought of as innovations that farmers with marginally productive croplands can adopt. With few exceptions, adoption follows a normal distribution. That is, adopter distributions follow a bell-shaped curve over time, cumulatively forming an S-shaped curve. Signup for the SBR followed this pattern.

If the economic climate, program characteristics, and promotional efforts for the CRP are the same as for the SBR, then the rate of adoption for the CRP should be similar to that of the SBR. Therefore, the differences between these factors can reveal possible differences in the adoption rate.

Economic Climate

Comparing the 5-year period before the SBR with the 5-year period before the CRP yields the following:

- Farmland values declined at an average annual rate of 6 percent over the 1981-86 period. In 1951-56, they rose at an average annual rate of 4 percent.
- The farm sector debt-to-asset ratio was increasing from 1951-56 because of rapid capitalization. In 1981-86, the increase was attributable to falling asset values.
- In both periods, declines in the parity ratio indicated a continuous decline in the price of farm products relative to the price of products in other sectors. The financial health of the farm sector, based on this indicator, showed an almost continuous deterioration prior to implementation of the SBR and CRP.

Overall, the farm sector's financial situation is much worse today than in the period preceding and including the SBR. Where the current expected return to land and management (including Government support payments) is less than

TREE PLANTING

Tree planting under the CRP will dwarf major tree-planting efforts of earlier eras. The Civilian Conservation Corps, for example, planted 2.3 million acres to trees over a 9-year period in the 1930's and early 1940's; under the Soil Bank Program, 2.2 million acres were planted to trees in a 7-year period from 1956 to 1962.

In the March 1986 signup, bids for trees were accepted on 131,000 acres, and in the May 1986 signup, another 191,000 acres of trees were added. The CRP accomplished almost 5 percent of its 5-million-acre tree goal in its first year; trees were 8.4 percent of first-year bids. [Robert J. Moulton (202) 235-1697]

Tree Planting by CRP Signup

Signup	All Trees	Per- cent trees
Thousand acres		
March 1986	828	131
May 1986	3,001	191
Total	3,829	322

Source: ASCS.

what could be gained by enrolling in the CRP, farmers will participate. Where current expected returns exceed returns from enrollment, participation will depend upon the farmer's risk preference, cash flow requirements, and liquidity. Thus, farmers who expect decreasing returns may enroll their land in the CRP.

Who would be likely to participate? In general, those farmers most likely to shift from intensive, crop-management systems to less intensive forage-management systems would probably have made the conversion over time without any incentives. Based on the characteristics of SBR participants, the most likely CRP enrollees will be farmers seeking to leave agriculture, farmers with beef or timber operations already in place, and farmers who would benefit from additional woodland stands, wildlife habitats, or erosion-reducing systems.

Farmers being faced with conservation compliance or new equipment purchases may consider enrollment as an alternative. Also, demand for red meat and dairy products increased during the 1951-60 period, while current expectations are far less promising. Some producers may use the CRP to exit. The current outlook for timber (particularly for softwoods) is very good, while the outlook was poor before and during the SBR signup period.

One of the most dramatic differences between the SBR and CRP is the relative complexity of the two programs. The SBR was a fairly straightforward program: farmers were offered a rental rate and could enter as many acres as they desired.

The CRP, however, requires farmers to determine the value of the land-use shift and bid against other farmers in the same area. Furthermore, farmers, with the assistance of USDA, have to determine what acres are highly erodible, the field boundaries that will allow at least two-thirds of the field to be predominantly highly erodible, and the acreage required to comply. Both programs were announced after the planting season had begun. For the CRP, farmers may have perceived Gramm-Rudman as a threat to annual payment amounts.

Disincentives To Enrollment

Current commodity programs encourage farmers to maintain a crop base. Since the CRP will reduce the crop base without additional compensation, it has a strong disincentive. Also, since little growth in livestock markets is expected, there is little incentive to convert cropland to pasture.

The perceived benefits of maintaining commodity bases will probably override all other variables in determining the CRP's relative advantage, giving a slower rate of adoption than predicted by the SBR rate. One factor may increase the adoption rate, though. The 1985 farm act is attempting to reduce deficiency payments over time. Thus, expectations for the deficiency-payment value of crop bases may decline. Similarly, removal of the ARP in 1989 dramatically increased signup for the SBR.

The conservation compliance provision, to become effective in 1990, will increase crop-base maintenance costs on about 120 million highly erodible acres. For these farmers, the CRP may become more profitable than attempting to maintain a crop base. Thus, the rate of enrollment may be slower in the first years, but higher in later years. This will occur because of the compliance provision and the gradual reduction of commodity deficiency payments.

Without a major shift in regional production patterns (such as the return of the Corn Belt as a major beef producer or a decrease in pivot irrigation in the Northern Plains), the CRP will remain incompatible with most current production systems. Farmers have made large investments in row-crop and small-grain production and harvesting equipment. Reducing the acreage of these crops would increase per-acre fixed costs and inhibit enrollment.

Finally, confusion surrounding the first two signup periods, coupled with the difficulty in determining acceptable bid amounts, probably contributed to a decision by some potential participants to wait for the later signup periods. As the signup methods become more understood, and information about acceptable bid levels becomes more widely known, participation is likely to increase.

In summary, several factors could speed the CRP adoption rate:

- First, eligibility is limited to 69.5 million acres. Expanding this by relaxing eligibility requirements would increase participation. The SBR was available to the entire cropland base.

- Second, reducing the value of base acreage through a reduction in commodity programs, implementing the compliance provision earlier, or providing enrollment bonuses would increase participation.
- Third, increasing the incentive to participate by offering or accepting bids at higher rental rates, allowing limited use of the land (such as grazing every third year, or haying in alternate years), or prohibiting the use of cropland eligible for the CRP as set-aside acreage would increase participation.
- Last, if the agricultural economy does not perk up faster, participation will grow even faster. (Michael R. Dicks (202) 786-1404)

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World Indices of Agricultural and Food Production, 1976-85. SB-744. July 1986. (Price \$8.00) Stock Number: 001-019-00476-2.

Statistical Indicators

Summary Data

Table 1.—Key statistical indicators of the food and fiber sector

	1985				1986				
	I	II	IV	Annual	I	II	III F	IV F	Annual F
Prices received by farmers (1977=100)	130	122	126	128	123	122	125	124	123
Livestock & products	135	129	136	136	133	130	141	146	138
Crops	125	116	114	120	112	112	108	100	108
Prices paid by farmers, (1977=100)									
Prod. items	152	149	149	151	149	146	145	144	146
Commodities & services, int., taxes, & wages	164	162	162	163	163	161	161	161	162
Cash receipts (\$ bll.) 1/	135	140	157	142	132	131	134-138	137-141	132-136
Livestock (\$ bll.)	68	68	73	69	69	68	71-75	71-75	69-73
Crops (\$ bll.)	67	72	84	73	63	63	61-65	64-68	61-65
Market basket (1967=100)									
Retail cost	282	282	283	283	285	285	288	290	287
Farm value	237	229	236	238	227	228	230	239	233
Spread	309	313	310	309	319	318	320	318	319
Farm value/retail cost (%)	31	30	31	31	30	29	30	31	30
Retail prices (1967=100)									
Food	310	310	311	310	315	317	320	322	316-320
At home	297	296	297	297	302	302	305	307	300-306
Away-from home	346	349	351	347	354	359	362	363	358-362
Agricultural exports (\$ bll.) 2/	6.8	5.7	7.8	31.2	7.4	6.2	6.1	7.8	27.5
Agricultural imports (\$ bll.) 2/	5.0	4.6	4.9	19.7	5.6	5.7	3.8	4.9	20.0
Productions:									
Red meats (mil. lb.)	9,869	9,931	9,814	39,136	9,551	10,021	9,805	9,272	38,649
Poultry (mil. lb.)	4,269	4,452	4,293	16,871	4,107	4,520	4,690	4,630	17,947
Eggs (mil. doz.)	1,408	1,408	1,442	5,688	1,421	1,418	1,430	1,470	5,739
Milk (bil. lb.)	37.5	36.8	35.6	143.7	36.2	38.5	35.9	34.4	145.0
Consumption, per capita:									
Red meats and poultry (lbs)	53.6	54.6	55.3	214.6	51.9	54.1	54.0	54.0	213.9
Corn beginning stocks (mil. bu.) 3/	4,623.2	2,835.5	1,648.2	1,648.2	8,614.7	6,587.9	4,988.6	4,013.0	4,013.0
Corn use (mil. bu.) 3/	1,788.8	1,188.4	1,899.5	6,505.0	2,028.9	1,600.8	976.6	--	6,900.0
Priors: 4/									
Choice steers—Omaha (\$/cwt.)	57.66	52.17	61.42	58.37	57.22	54.52	57.61	61.65	57.59
Barrows and gilts—7 mkt. (\$/cwt.)	43.09	43.62	45.05	44.77	43.30	47.23	56.60	53.57	50.52
Briollars—12-city (cts./lb.)	50.7	50.9	50.2	50.8	50.3	54.3	69.73	55.59	57.59
Eggs—NY Gr. A large (cts./doz.)	60.0	68.3	75.9	66.5	74.2	63.4	73.77	68.72	70.72
Milk—all at plant (\$/cwt.)	12.50	12.17	12.60	12.73	12.37	11.97	12.10-	13.00-	12.35-
Wheat—Kansas City HRW (\$/bu.)	3.47	3.09	3.31	3.40	3.33	3.23	—	—	—
Corn—Chicago (\$/bu.)	2.86	2.52	2.41	2.65	2.48	2.51	—	—	—
Soybeans—Chicago (\$/bu.)	5.85	5.31	5.11	5.55	5.34	5.32	—	—	—
Cotton—Avg. spot mkt. (cts./lb.)	60.5	57.9	56.1	58.5	60.0	64.0	—	—	—
	1978	1979	1980	1981	1982	1983	1984	1985	1986 F
Gross cash income (\$ bll.)	117.1	135.1	143.3	146.0	150.6	150.2	154.9	156.2	149-153
Gross cash expenses (\$ bll.)	84.2	101.7	109.1	113.2	113.8	113.0	115.6	112.2	104-108
Net cash income (\$ bll.)	33.0	33.4	34.2	32.8	36.8	37.1	39.2	44.0	43-47
Net farm income	27.4	31.7	20.2	29.8	22.7	13.0	32.7	30.5	25-29
Farm real estate values (1977=100)	109	125	145	158	157	148	146	128	112

1/ Quarterly data seasonally adjusted at annual rates. 2/ Annual data based on Oct.-Sept. fiscal years ending with year indicated. 3/ Dec.-Feb. first quarter; Mar.-May second quarter; June-Aug. third quarter; Sept.-Nov. fourth quarter; feed year annual. Use includes exports and domestic disappearance. 4/ Simple averages. F = Forecast.

U.S. and Foreign Economic Data

Table 2.—U.S. gross national product and related data

	Annual			1985			1986	
	1983 r	1984 r	1985 r	II r	III r	IV r	I r	II p
\$ Bill. (Quarterly data seasonally adjusted at annual rates)								
Gross national product	3,405.7	3,765.0	3,998.1	3,965.0	4,030.5	4,087.7	4,149.2	4,182.3
Personal consumption expenditures	2,234.5	2,428.2	2,600.5	2,576.0	2,627.1	2,667.9	2,697.9	2,730.1
Durable goods	289.1	331.2	359.3	354.0	373.3	362.0	360.8	374.7
Non durable goods	816.7	870.1	905.1	902.3	907.4	922.6	929.7	926.0
Clothing & shoes	135.1	147.2	155.2	155.0	155.4	158.7	161.3	163.8
Food & beverages	421.9	449.9	469.3	469.3	470.4	477.4	484.6	489.5
Services	1,128.7	1,227.0	1,336.1	1,319.7	1,346.4	1,383.2	1,407.4	1,429.4
Gross private domestic investment	502.3	662.1	661.1	667.1	657.4	669.5	708.3	691.4
Fixed Investment	509.4	598.0	650.0	648.0	654.3	672.6	664.4	671.9
Change in business inventories	-7.1	64.1	11.1	19.1	3.1	-3.1	43.8	19.5
Net exports of goods & services	-6.1	-58.7	-78.9	-77.1	-83.7	-105.3	-93.7	-96.4
Government purchases of goods & services	675.0	733.4	815.4	799.0	829.7	855.6	836.7	857.2
1982 \$Bil. (Quarterly data seasonally adjusted at annual rates)								
Gross national product	3,279.1	3,489.9	3,585.2	3,567.6	3,603.8	3,622.3	3,655.9	3,665.7
Personal consumption expenditures	2,146.0	2,246.3	2,324.5	2,311.9	2,342.0	2,351.7	2,372.7	2,407.0
Durable goods	283.1	318.9	343.9	338.8	357.4	347.0	345.4	357.5
Non durable goods	800.2	828.6	841.6	841.3	843.8	847.2	860.6	875.5
Clothing & shoes	132.7	142.7	146.0	146.0	146.5	147.5	152.4	155.5
Food & beverages	414.3	424.2	433.4	437.4	435.3	435.1	441.1	443.2
Services	1,062.7	1,098.7	1,139.0	1,131.8	1,140.8	1,157.5	1,166.6	1,173.9
Gross private domestic investment	504.0	652.0	647.7	655.6	643.8	653.2	684.0	667.6
Fixed Investment	510.4	592.8	638.6	638.1	643.1	658.4	644.1	648.0
Change in business inventories	-6.4	59.2	9.0	17.4	0.7	-5.2	39.9	19.6
Net exports of goods & services	-19.9	-83.6	-108.2	-108.1	-113.8	-132.0	-125.9	-146.3
Government purchases of goods & services	649.0	675.2	721.2	708.3	731.8	749.4	725.2	737.5
GNP implicit price deflator	3.9	3.9	3.4	3.4	2.5	3.7	2.5	2.1
% change								
Disposable personal income (\$bil.)	2,428.1	2,670.6	2,828.0	2,842.3	2,832.0	2,882.2	2,935.1	2,979.2
Disposable per. income (1982 \$bil.)	2,331.9	2,470.6	2,528.0	2,550.8	2,524.7	2,540.7	2,581.2	2,626.6
Per capita disposable per. income (\$)	10,340	11,265	11,817	11,893	11,819	11,999	12,193	12,351
Per capita dis. per. income (1982 \$)	9,930	10,421	10,563	10,674	10,537	10,577	10,723	10,889
U.S. population, total, incl. military abroad (mil.)	234.8	237.1	239.3	239.0	239.6	240.2	240.7	241.2
Civilian population (mil.)	232.6	234.9	237.0	236.7	237.2	237.9	238.4	239.0
	Annual			1985			1986	
	1983	1984	1985	June	Mar	Apr	May	June p
Monthly data seasonally adjusted								
Industrial production (1977=100)	109.2	121.8	124.5	124.3	124.4	125.2	124.7	124.1
Leading economic indicators (1967=100)	156.0	165.8	169.1	167.7	176.0	178.3	178.1	178.6
Civilian employment (mil. persons)	100.8	105.0	107.2	106.6	108.8	108.9	109.1	109.7
Civilian unemployment rate (%)	9.6	7.5	7.2	7.3	7.2	7.1	7.3	7.1
Personal Income (\$ bil. annual rate)	2,838.6	3,110.2	3,314.5	3,304.9	3,445.1	3,485.1	3,475.7	3,479.2
Money stock-M2 (daily avg.) (\$bil.) 1/	2,188.8	2,373.7	2,565.8	2,479.0	2,591.1	2,620.9	2,647.9	2,668.9
Three-month Treasury bill rate (%)	8.63	9.58	7.48	7.01	6.59	6.06	6.12	6.21
Aaa corporate bond yield (Moody's) (%)	12.04	12.71	11.37	10.94	9.00	8.79	9.09	9.13
Housing starts (thou.) 2/	1,703	1,750	1,742	1,693	1,960	2,019	1,860	1,845
Auto sales at retail, total (mil.)	9.2	10.4	11.0	10.3	9.7	11.1	11.3	11.1
Business inventory/sales ratio	1.38	1.34	1.37	1.39	1.40	1.37	1.39	—
Sales of all retail stores (\$ bil.)	97.9	107.8	114.5	113.5	116.7	117.7	118.5 p	118.7
Non durable goods stores (\$ bil.)	64.8	68.9	71.6	71.2	73.4	72.8	73.2 p	73.3
Food stores (\$ bil.)	21.2	22.5	23.5	23.3	24.5	24.1	24.2 p	24.3
Eating & drinking places (\$ bil.)	9.6	10.4	10.9	11.0	11.4	11.7	11.8 p	11.7
Apparel & accessory stores (\$ bil.)	5.0	5.4	5.8	5.7	6.2	6.2	6.2 p	6.2

1/ Annual data as of December of the year listed. 2/ Private, including farm. p = preliminary. r = revised.

Information contact: James Malley (202) 786-1283.

Table 3.—Foreign economic growth, inflation, and export earnings^{1,2}

	Average 1970-74	Average 1975-79	1980	1981	1982	1983	1984	1985 est.
	Annual percent change							
Total foreign								
Real GNP	5.0	3.7	2.6	1.6	1.7	1.9	3.0	3.2
CPI	10.2	14.0	16.1	15.3	14.4	18.4	21.7	21.5
Export earnings	27.5	14.6	22.6	-2.0	-7.7	-2.2	5.9	.6
Developed less U.S.								
Real GNP	4.8	3.1	2.3	1.3	1.1	1.9	3.4	3.0
CPI	8.4	9.4	10.9	9.6	8.1	6.1	5.1	4.7
Export earnings	23.9	14.9	17.0	-3.3	-4.2	-0.5	6.1	4.6
Centrally planned								
Real GNP	5.1	3.5	1.5	2.1	2.7	3.4	3.5	4.2
CPI	23.5	53.7	61.3	64.9	72.6	126.2	174.2	179.6
Export earnings	28.1	12.8	30.1	4.4	-9.9	0	5.9	-3.3
Latin America								
Real GNP	7.4	5.1	5.3	.7	-.5	-2.7	3.0	4.1
CPI	23.5	53.7	61.3	64.9	72.6	126.2	174.2	179.6
Export earnings	28.1	12.8	30.1	4.4	-9.9	0	5.9	-3.3
Africa & Middle East								
Real GNP	8.9	6.5	1.3	0	1.4	-.1	-.2	1.1
CPI	8.7	16.4	16.3	14.5	12.0	15.5	10.9	9.0
Export earnings	49.6	43.0	38.5	-6.7	-20.1	-17.3	-4.7	-1.6
Asia								
Real GNP	6.0	6.8	6.3	6.6	3.6	6.6	5.2	3.5
CPI	13.0	8.4	16.4	14.1	7.3	7.7	8.6	6.4
Export earnings	30.1	19.4	27.3	4.4	-.1	3.8	13.9	-2.9

¹/ Export earnings measured in U.S. dollars. ²/ Last updated July 1986.

Farm Prices

Table 4.—Indexes of prices received and paid by farmers, U.S. average

	Annual			1985				1986				
	1983	1984	1985	July	Feb	Mar	Apr	May	June	r	July	p
	1977=100											
Prices received												
All farm products	135	142	128	126	122	122	121	123	121	121	124	
All crops	128	139	121	121	111	111	114	114	109	109	105	
Food grains	148	144	133	123	131	135	135	120	100	100	94	
Feed grains & hay	143	145	122	125	113	113	113	118	110	110	97	
Feed grains	146	148	122	126	112	111	112	116	110	110	96	
Cotton	104	108	92	100	92	91	93	94	93	93	98	
Tobacco	155	153	154	143	145	143	142	141	141	141	141	
Oil-bearing crops	102	109	84	85	78	78	78	78	78	78	76	
Fruit, all	128	202	183	181	154	150	146	157	177	177	164	
Fresh market 1/	123	220	196	193	160	156	151	166	189	189	175	
Commercial vegetables	130	135	128	132	117	126	147	144	115	115	117	
Fresh market	129	133	122	129	108	120	147	144	106	106	108	
Potatoes & dry beans	123	157	125	145	91	94	108	105	123	123	169	
Livestock & products	141	146	136	130	133	132	127	131	133	133	142	
Meat animals	147	151	142	136	139	136	132	138	141	141	150	
Dairy products	140	139	131	125	128	126	124	124	123	123	123	
Poultry & eggs	118	135	119	114	116	125	115	117	119	119	141	
Prices paid												
Commodities & services,												
Interest, taxes, & wage rates	161	164	163	163	163	—	161	—	—	—	161	
Production items	153	155	151	150	149	—	146	—	—	—	145	
Feed	134	135	116	115	113	—	113	—	—	—	107	
Feeder livestock	160	154	154	147	151	—	147	—	—	—	154	
Seed	141	151	153	150	154	—	146	—	—	—	146	
Fertilizer	137	143	135	135	128	—	125	—	—	—	125	
Agricultural chemicals	125	128	128	128	128	—	126	—	—	—	126	
Fuels & energy	202	201	201	204	188	—	160	—	—	—	155	
Farm & motor supplies	152	147	146	146	145	—	144	—	—	—	144	
Autos & trucks	170	182	193	194	197	—	197	—	—	—	197	
Tractors & self-propelled machinery	174	181	178	177	174	—	175	—	—	—	175	
Other machinery	171	180	183	184	184	—	184	—	—	—	184	
Building & fencing	138	138	136	136	136	—	135	—	—	—	136	
Farm services & cash rent	146	149	150	150	153	—	153	—	—	—	153	
Interest payable per acre on farm real estate debt	250	255	242	242	237	—	237	—	—	—	237	
Taxes payable per acre on farm real estate	129	132	133	133	136	—	136	—	—	—	136	
Wage rates (seasonally adjusted)	148	151	154	154	150	—	164	—	—	—	164	
Production items, interest, taxes, & wage rates	159	161	157	156	155	—	153	—	—	—	153	
Ratio, prices received to prices paid 2/	84	86	79	77	75	75	76	77	75	75	77	
Prices received (1910-14=100)	615	650	586	574	557	557	551	560	554	554	567	
Prices paid, etc. (Parity Index) (1910-14=100)	1,105	1,130	1,121	1,119	1,119	—	1,108	—	—	—	1,108	
Parity ratio (1910-14=100) 2/	56	58	52	52	50	—	50	—	—	—	51	

¹/ Fresh market for noncitrus; fresh market and processing for citrus. ²/ Ratio of index of prices received for all farm products to index of prices paid for commodities and services, interest, taxes, and wage rates. Ratio derived using the most recent prices paid index. Prices paid data will be published in January, April, July, and October. p = preliminary. r = revised.

Information contact: National Agricultural Statistics Service (202) 447-5446.

Table 5.—Prices received by farmers, U.S. average.

	Annual*			1985		1986					
	1983	1984	1985	July	Feb	Mar	Apr	May	June r	July p	
Crops											
All wheat (\$/bu.)	3.58	3.46	3.20	2.93	3.15	3.28	3.36	3.02	2.48	2.29	
Rice, rough (\$/cwt.)	8.31	8.32	7.85	7.54	7.86	7.60	5.80	5.01	4.83	4.79	
Corn (\$/bu.)	2.99	3.05	2.49	2.60	2.32	2.29	2.29	2.39	2.32	1.99	
Sorghum (\$/cwt.)	4.89	4.60	3.98	4.04	3.55	3.67	3.80	3.98	3.39	3.18	
All hay, baled (\$/ton)	73.66	75.38	70.05	67.90	67.30	68.00	69.20	70.90	62.40	58.70	
Soybeans (\$/bu.)	6.73	7.02	5.42	5.42	5.18	5.23	5.22	5.25	5.19	5.07	
Cotton, Upland (cts./lb.)	62.9	65.6	55.9	60.5	55.4	55.0	56.4	56.9	56.4	59.1	
Potatoes (\$/cwt.)	5.82	5.69	3.91	5.78	3.30	3.50	4.24	4.09	4.98	7.26	
Lettuce (\$/cwt.) 1/	12.43	10.70	12.20	12.40	8.55	11.00	15.80	18.10	9.12	7.93	
Tomatoes (\$/cwt.)	26.48	27.93	28.63	20.80	22.80	25.10	30.10	26.90	19.80	20.80	
Onions (\$/cwt.)	9.56	13.56	9.33	19.60	6.31	6.83	9.11	9.53	10.90	11.70	
Dry edible beans (\$/cwt.)	22.40	18.70	17.80	19.80	16.90	16.80	16.90	16.70	17.30	17.20	
Apples for fresh use (cts./lb.)	14.8	15.5	17.1	17.4	17.9	18.4	17.3	21.1	24.2	25.4	
Pears for fresh use (\$/ton)	216.00	300.00	348.00	n.a.	350.00	417.00	440.00	604.00	838.00	280.00	
Oranges, all uses (\$/box) 2/	4.15	5.95	7.97	6.23	3.69	3.69	3.39	3.91	4.44	3.41	
Grapefruit, all uses (\$/box) 2/	1.79	2.68	3.77	5.94	3.72	3.90	4.58	4.41	5.54	5.94	
Livestock											
Beef cattle (\$/cwt.)	55.83	57.56	53.96	50.20	53.00	52.40	50.30	51.00	50.10	52.30	
Calves (\$/cwt.)	62.12	60.23	62.42	60.00	62.80	61.90	58.90	58.00	58.10	59.80	
Hogs (\$/cwt.)	46.23	47.61	43.88	45.70	42.80	40.40	39.70	45.80	52.60	58.40	
Lambs (\$/cwt.)	55.48	60.33	68.08	70.80	67.00	64.90	69.10	76.30	74.00	71.90	
All milk, sold to plants (\$/cwt.)	13.57	13.45	12.73	12.10	12.40	12.20	12.00	12.00	11.90	11.90	
Milk, manuf. grade (\$/cwt.)	12.63	12.54	11.78	11.00	11.40	11.30	11.20	11.10	10.90	10.90	
Broilers (cts./lb.)	29.3	33.2	30.2	30.3	29.0	30.2	29.9	30.9	34.0	42.4	
Eggs (cts./doz.) 3/	63.1	70.3	57.4	52.9	61.5	68.3	57.8	56.2	50.5	58.6	
Turkeys (cts./lb.)	36.5	46.6	47.2	44.0	36.4	36.9	38.0	40.7	46.1	49.3	
Wool (cts./lb.) 4/	61.5	76.5	62.6	64.0	55.8	61.7	67.8	75.2	73.5	70.7	

1/ Due to program modifications, 1983 data not comparable with 1984 and 1985. 2/ Equivalent on-tree returns. 3/ Average of all eggs sold by producers including hatching eggs and eggs sold at retail. 4/ Average local market price, excluding incentive payments. *Calendar year averages, except for potatoes, dry edible beans, apples, oranges, and grapefruit, which are crop years. p = preliminary. r = revised.

Information contact: National Agricultural Statistics Service (202) 447-5446.

Producer and Consumer Prices

Table 6.—Consumer Price Index for all urban consumers, U.S. average (not seasonally adjusted)

	Annual			1985				1986			
	1985	June	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
		1967=100									
Consumer price index, all items	322.2	322.3	326.6	327.4	328.4	327.5	326.0	325.3	326.3	327.9	
Consumer price index, less food	323.3	323.6	328.5	328.9	329.5	328.5	326.6	325.7	326.7	328.6	
All food	309.8	309.3	311.0	313.2	315.6	315.3	315.4	316.1	317.0	317.1	
Food away from home	346.6	346.9	351.3	352.1	353.1	354.2	355.5	357.0	358.0	360.2	
Food at home	296.8	296.0	296.6	299.3	302.5	301.5	301.2	301.5	302.1	301.6	
Meats 1/	265.5	263.0	266.3	270.1	270.6	268.4	266.6	262.3	262.1	264.4	
Beef & veal	269.7	267.4	270.8	277.8	275.7	272.3	271.3	266.0	264.9	264.9	
Pork	253.1	248.6	254.0	254.7	259.3	257.0	253.4	249.9	250.0	257.0	
Poultry	216.4	216.0	216.8	220.3	218.2	218.5	218.2	215.7	218.7	223.7	
Fish	405.9	397.2	419.0	420.3	443.9	430.6	435.6	437.0	437.1	434.5	
Eggs	174.3	158.5	190.8	196.7	194.4	186.7	190.8	188.8	173.7	166.9	
Dairy products 2/	258.0	257.8	257.1	256.9	257.2	257.3	256.8	256.8	257.1	257.2	
Fats & oils 3/	294.4	296.0	292.1	290.3	292.1	291.4	290.2	288.5	287.2	287.0	
Fresh fruit	361.8	380.8	336.3	335.8	350.8	353.3	352.0	367.9	385.5	372.4	
Processed fruit 4/	168.2	168.9	168.2	167.0	166.8	165.7	164.9	163.8	163.5	161.4	
Fresh vegetables	317.5	309.5	300.0	338.3	362.3	311.1	309.0	335.7	343.7	326.2	
Potatoes	324.6	399.4	257.6	260.1	267.9	262.8	261.9	267.4	279.6	317.3	
Processed vegetables 4/	147.7	148.4	147.1	147.1	147.5	147.6	147.2	147.5	147.4	148.0	
Cereals & bakery products 4/	317.0	317.3	319.9	321.9	322.0	322.5	322.7	322.5	323.8	326.1	
Sugar & sweets	398.8	398.3	401.4	402.2	405.1	408.6	408.4	411.4	411.2	411.5	
Beverages, nonalcoholic	451.7	451.5	451.7	448.8	459.7	485.3	488.0	487.4	481.9	480.0	
Apparel commodities less footwear	188.1	186.3	193.6	191.1	186.3	185.2	187.5	188.4	187.2	184.8	
Footwear	212.1	213.9	215.5	213.1	209.1	207.9	210.1	211.4	211.5	210.0	
Tobacco products	328.5	324.8	334.7	337.4	342.7	344.7	345.6	346.5	346.5	347.1	
Beverages, alcoholic	229.5	227.8	236.2	236.2	237.5	238.3	238.8	239.5	239.4	240.1	

1/ Beef, veal, lamb, pork, and processed meat. 2/ Includes butter. 3/ Excludes butter. 4/ December 1977 = 100.

Information contact: Ralph Parlett (202) 786-1870.

Table 7.—Producer price indexes, U.S. average (not seasonally adjusted)

	Annual			June	1985						1986					
	1983	1984	1985 p		Jan	Feb r	Mar	Apr	May	June	1967=100					
Finished goods 1/	285.2	291.1	293.8	294.0	296.0	291.9	288.1	286.9	289.0	288.9						
Consumer foods	261.8	273.3	271.2	268.7	275.0	272.0	272.2	272.4	274.9	275.1						
Fresh fruit	252.0	253.0	256.0	242.5	248.0	251.9	240.7	245.2	264.6	265.3						
Fresh & dried vegetables	248.9	278.3	245.3	245.3	244.0	203.7	215.2	254.1	256.6	232.7						
Orked fruit	409.9	386.6	362.7	362.2	371.1	369.2	369.0	373.7	373.6	373.6						
Canned fruit & juice	286.8	312.4	323.1	326.9	314.6	313.4	314.1	313.4	314.0	315.9						
Frozen fruit & juice	300.9	351.4	363.4	371.6	323.7	319.7	311.2	310.4	310.5	311.2						
Fresh veg. excl. potatoes	210.0	219.1	205.9	181.6	220.0	189.6	189.7	237.0	238.7	186.8						
Canned veg. and juices	247.1	252.6	246.9	252.6	240.8	245.6	245.5	245.0	246.0	252.5						
Frozen vegetables	283.6	291.0	298.4	299.1	299.0	299.0	299.6	297.9	298.5	299.1						
Potatoes	319.8	397.7	304.3	397.8	263.2	267.5	244.7	253.4	259.6	335.4						
Eggs	n.a.	210.8	171.0	147.7	191.6	176.0	182.1	169.5	162.1	149.0						
Bakery products	285.9	299.1	313.5	313.7	319.7	319.5	321.1	321.6	320.1	321.7						
Meats	236.4	236.8	227.5	224.2	231.6	223.1	218.3	215.1	225.5	227.1						
Beef & veal	236.3	237.1	220.1	218.8	223.6	212.6	208.8	202.7	214.3	208.0						
Pork	227.5	226.5	224.0	216.2	231.5	221.3	213.5	213.3	228.0	243.3						
Processed poultry	185.3	206.0	197.5	195.4	192.4	188.5	188.5	189.7	192.1	202.3						
Fish	445.2	476.0	492.1	423.4	527.1	527.9	573.9	553.6	523.7	536.2						
Dairy products	250.6	251.7	249.4	249.4	245.8	246.2	245.9	246.2	246.8	247.2						
Processed fruits & vegetables	277.4	294.3	296.7	301.0	286.7	287.0	286.9	286.3	287.0	289.9						
Shortening & cooking oils	254.7	311.6	290.5	309.2	261.0	254.0	247.8	244.2	243.1	242.4						
Consumer finished goods less foods	291.4	294.1	297.4	299.0	298.3	291.8	284.4	281.4	284.1	283.8						
Beverages, alcoholic	205.0	209.8	213.0	212.4	216.2	216.7	217.5	217.8	218.4	217.7						
Soft drinks	327.4	340.2	344.2	344.5	345.0	348.9	348.2	351.1	352.2	348.7						
Apparel	197.4	201.3	204.2	203.9	205.0	205.6	205.8	206.0	207.0	206.4						
Footwear	250.1	251.7	256.8	257.1	259.4	260.4	261.5	262.7	261.8	260.7						
Tobacco products	365.4	398.4	420.2	420.8	451.0	451.5	451.6	451.5	452.0	451.7						
Intermediate materials 2/	312.3	320.0	318.7	319.3	317.4	313.5	309.4	307.0	306.8	307.1						
Materials for food manufacturing	258.4	271.1	258.7	262.0	252.8	249.2	246.3	244.6	248.6	247.8						
Flour	186.2	185.2	183.1	182.4	182.7	182.9	183.9	178.9	186.8	175.2						
Refined sugar 3/	172.1	173.5	165.6	166.7	165.1	165.1	165.7	165.6	165.5	165.2						
Crude vegetable oils	194.2	262.2	219.4	266.4	165.7	153.8	139.5	141.1	143.0	138.5						
Crude materials 4/	323.6	330.8	306.2	305.6	301.0	289.0	280.9	272.8	278.9	274.9						
Foodstuffs & feedstuffs	252.2	259.5	235.0	233.7	231.7	227.2	224.0	220.1	228.9	226.1						
Fruits & vegetables 5/	262.1	278.1	260.5	254.3	256.4	234.6	236.1	260.8	271.4	257.8						
Grains	240.4	239.7	202.7	212.7	193.4	193.6	191.4	191.7	199.6	182.2						
Livestock	243.1	251.8	229.7	226.7	232.6	226.1	218.7	212.4	227.3	223.2						
Poultry, live	206.5	240.6	226.2	223.6	212.8	197.4	209.0	211.2	218.3	236.6						
Fibers, plant & animal	227.0	228.4	197.8	199.1	196.3	198.4	206.8	210.6	215.5	219.5						
Fluid milk	282.0	278.3	264.6	259.6	255.2	254.7	249.1	248.4	249.2	249.2						
Oilseeds	245.3	253.3	202.7	211.4	194.7	197.1	199.2	197.5	200.3	201.4						
Tobacco, leaf	274.2	274.6	274.1	276.4	257.2	255.5	238.9	250.2	248.4	248.4						
Sugar, raw cane	315.9	312.0	291.2	304.2	284.0	288.0	291.7	289.6	288.9	293.8						
All commodities	303.1	310.3	308.8	309.2	308.9	304.4	300.3	297.9	299.2	298.9						
Industrial commodities	315.7	322.6	323.9	324.8	323.8	318.9	314.0	311.3	311.7	311.6						
All foods 6/	257.5	269.2	264.6	262.4	266.5	262.8	262.9	262.8	265.4	265.5						
Farm products & processed foods & feeds	253.9	262.4	250.5	249.1	251.5	248.3	247.0	246.1	250.6	249.5						
Farm products	248.2	255.8	230.4	229.4	227.4	221.8	218.9	217.9	226.0	221.4						
Processed foods & feeds 6/	255.9	265.0	260.5	258.8	263.5	261.4	261.5	260.6	262.5	263.4						
Cereal & bakery products	261.0	270.5	279.7	279.9	283.2	283.3	284.1	283.7	282.9	282.2						
Sugar & confectionery	292.8	301.2	291.1	294.4	291.2	292.4	295.1	293.7	294.7	295.1						
Beverages	263.6	273.1	276.7	275.5	290.0	294.1	295.2	296.8	298.0	296.4						

1/ Commodities ready for sale to ultimate consumer. 2/ Commodities requiring further processing to become finished goods. 3/ All types and sizes of refined sugar. (Dec. 1977 = 100). 4/ Products entering market for the first time which have not been manufactured at that point. 5/ Fresh and dried. 6/ Includes all raw, intermediate, and processed foods (excludes soft drinks, alcoholic beverages, and manufactured animal feeds). (1977 = 100). r = revised. n.a. = not available.

Information contact: Bureau of Labor Statistics (202) 523-1913.

Farm-Retail Price Spreads

Table 8.—Farm-retail price spreads

	Annual				1985		1986				
	1982	1983	1984	1985	June	Jan	Feb	Mar	Apr	May	June
Market basket 1/											
Retail cost (1967=100)	266.4	268.7	279.3	282.6	281.8	287.3	284.2	283.3	283.4	284.5	284.6
Farm value (1967=100)	247.8	242.3	255.4	237.1	237.1	233.7	223.6	222.0	218.1	223.9	224.7
Farm-retail spread (1967=100)	277.4	284.3	293.3	309.3	308.0	318.8	319.9	319.3	321.7	320.2	319.8
Farm value/retail cost (%)	54.4	33.4	33.9	31.1	31.2	30.1	29.1	29.0	28.5	29.1	29.2
Meat products											
Retail cost (1967=100)	270.3	267.2	268.1	265.5	263.0	270.6	268.4	266.6	262.3	262.1	264.4
Farm value (1967=100)	251.3	235.8	241.5	221.8	220.2	227.6	218.0	210.1	203.8	210.0	219.3
Farm-retail spread (1967=100)	292.4	304.0	299.1	316.6	313.1	321.0	327.5	332.7	330.8	323.2	317.2
Farm value/retail cost (%)	50.2	47.6	48.6	45.1	45.2	45.4	43.8	42.5	41.9	43.2	44.7
Dairy products											
Retail cost (1967=100)	247.0	250.0	253.2	258.0	257.8	257.2	257.3	256.8	256.8	257.1	257.2
Farm value (1967=100)	261.9	262.1	258.8	248.3	247.0	237.9	237.8	236.1	234.8	237.2	237.2
Farm-retail spread (1967=100)	233.9	239.3	248.3	266.5	267.3	274.1	274.4	274.9	276.1	274.6	274.8
Farm value/retail cost (%)	49.6	49.0	47.8	45.0	44.8	43.2	43.2	43.0	42.8	43.1	43.1
Poultry											
Retail cost (1967=100)	194.9	197.5	218.5	216.4	216.0	218.2	218.5	218.2	215.7	218.7	223.7
Farm value (1967=100)	201.9	213.0	249.9	234.9	231.4	219.7	212.5	219.8	219.8	229.2	253.8
Farm-retail spread (1967=100)	188.1	182.4	188.1	198.4	201.1	216.7	224.3	216.6	211.7	208.6	194.5
Farm value/retail cost (%)	50.7	53.1	56.3	53.4	52.7	49.5	47.8	49.6	50.1	51.5	55.8
Eggs											
Retail cost (1967=100)	178.7	187.1	209.0	174.3	158.3	194.4	186.7	190.8	188.8	173.7	166.9
Farm value (1967=100)	189.8	206.1	230.3	178.9	163.2	208.3	192.1	221.3	181.0	175.0	150.3
Farm-retail spread (1967=100)	162.7	159.5	178.2	167.6	151.2	174.3	178.9	146.7	200.1	171.8	190.9
Farm value/retail cost (%)	62.8	65.1	65.1	60.7	60.9	63.3	60.8	68.6	56.6	59.6	53.2
Cereal & bakery products											
Retail cost (1967=100)	283.4	292.5	305.3	317.0	317.3	322.0	322.5	322.7	322.5	323.8	326.1
Farm value (1967=100)	178.8	186.6	192.0	175.6	177.1	170.2	165.6	165.6	164.9	156.0	140.6
Farm-retail spread (1967=100)	305.1	314.0	328.7	346.3	346.2	353.4	355.0	355.0	355.1	358.5	364.5
Farm value/retail cost (%)	10.8	11.1	10.8	9.5	9.6	9.1	8.8	8.9	8.7	8.3	7.4
Fresh vegetables											
Retail costs (1967=100)	323.2	303.6	345.3	383.5	401.7	373.6	372.1	367.1	379.8	400.5	395.3
Farm value (1967=100)	288.8	220.6	315.1	299.1	298.8	286.2	269.8	260.2	244.2	268.4	282.3
Farm-retail spread (1967=100)	358.7	340.8	358.9	421.4	447.9	412.8	418.0	415.1	440.7	459.8	446.0
Farm value/retail cost (%)	27.7	22.5	28.3	24.2	23.0	23.7	22.5	22.0	19.9	20.8	22.1
Processed fruits & vegetables											
Retail cost (1967=100)	288.9	299.3	331.8	317.5	309.5	362.3	311.1	309.0	333.7	343.7	326.2
Farm value (1967=100)	261.3	267.4	298.7	256.7	240.5	257.3	179.0	206.9	241.7	299.3	209.8
Farm-retail spread (1967=100)	301.8	314.3	347.4	346.1	341.9	411.7	373.2	357.0	376.9	364.6	380.9
Farm value/retail cost (%)	28.9	28.6	28.8	25.9	24.8	22.7	18.4	21.4	23.2	27.8	20.6
Fats & oils											
Retail cost (1967=100)	259.9	263.1	288.0	294.4	296.0	292.1	291.4	290.2	288.5	287.2	287.0
Farm value (1967=100)	207.8	251.0	324.8	271.3	320.9	203.5	191.8	179.8	185.4	182.9	181.1
Farm-retail spread (1967=100)	279.9	267.8	273.8	303.3	286.4	326.2	329.7	332.6	328.2	327.7	32.8
Farm value/retail cost (%)	22.2	26.5	31.3	25.6	30.1	19.4	18.3	17.2	17.8	17.7	17.5
	Annual				1985		1986				
	1982	1983	1984	1985	June	Jan	Feb	Mar	Apr	May	June
Beef, Choice											
Retail price 2/ (cts./lb.)	242.5	238.1	239.6	232.6	232.0	236.9	232.5	230.3	227.0	226.8	226.6
Net carcass value 3/ (cts.)	150.7	145.4	147.6	135.2	131.2	138.6	130.0	128.1	125.2	129.7	125.7
Net farm value 4/ (cts.)	140.5	136.2	140.0	126.8	122.9	128.4	121.0	119.8	116.2	120.4	113.3
Farm-retail spread (cts.)	102.0	101.9	99.6	105.8	109.1	108.5	111.5	110.5	110.8	106.4	113.3
Carcass-retail spread 5/ (cts.)	91.8	92.7	92.0	97.4	100.8	98.3	102.5	102.2	101.8	97.1	100.9
Farm-carcass spread 6/ (cts.)	10.2	9.2	7.6	8.4	8.3	10.2	9.0	8.3	9.0	9.3	12.4
Farm value/retail price (%)	58	57	58	55	53	54	52	52	51	53	50
Pork											
Retail price 2/ (cts./lb.)	175.4	169.8	162.0	162.0	157.9	169.0	168.3	165.8	162.2	162.3	166.5
Wholesale value 3/ (cts.)	121.8	108.9	110.1	101.1	106.3	99.1	95.7	92.4	91.7	102.8	112.2
Net farm value 4/ (cts.)	88.0	76.5	77.4	71.4	73.6	72.9	69.5	65.5	64.8	76.6	89.8
Farm-retail spread (cts.)	87.4	93.3	84.6	90.6	84.3	96.1	96.8	100.3	97.4	85.7	76.7
Wholesale-retail spread 5/ (cts.)	53.6	60.9	51.9	60.9	51.6	69.9	72.6	73.4	70.5	59.5	54.3
Farm-wholesale spread 6/ (cts.)	33.8	32.4	32.7	29.7	32.7	26.2	26.2	26.9	26.9	26.2	22.4
Farm value/retail price (%)	50	45	48	44	47	43	41	40	40	47	54

1/ Retail costs are based on indexes of retail prices for domestically produced farm foods from the CPI-U published monthly by the Bureau of Labor Statistics. The farm value is the payment to farmers for quantity of farm product equivalent to retail unit, less allowance for byproduct. Farm values are based on prices at first point of sale and may include marketing charges such as grading and packing for some commodities. The farm-retail spread, the difference between the retail price and the farm value, represents charges for assembling, processing, transporting, and distributing these foods. 2/ Estimated weighted average price of retail cuts from pork and yield grade 3 beef carcasses. Retail cut prices from BLS. 3/ Value of carcass quantity equivalent to 1 lb. of retail cuts; beef adjusted for value of fat and bone byproducts. 4/ Market value to producer for quantity of live animal equivalent to 1 lb. of retail cuts minus value of byproducts. 5/ Represents charges for retailing and other marketing services such as fabricating, wholesaling, and in-city transportation. 6/ Represents charges made for livestock marketing, processing, and transportation to city where consumed.

Note: Annual historical data on farm-retail price spreads may be found in Food Consumption, Prices and Expenditures, Statistical Bulletin 736, ERS, USDA.

Information contacts: Denis Dunham (202) 786-1870; Ron Gustafson (202) 786-1830.

Table 9.—Price indexes of food marketing costs.¹

	Annual			1985				1986		
	1983	1984	1985	I	II	III	IV	I	II	p
1967=100										
Labor-hourly earnings and benefits	356.8	367.3	367.3	369.7	368.1	365.3	366.5	367.3	364.9	
Processing	341.9	351.2	358.8	357.2	360.0	357.2	361.6	366.5	372.6	
Wholesaling	358.1	376.4	389.3	385.2	387.8	391.7	391.7	386.8	377.8	
Retailing	371.1	379.4	366.1	375.3	367.5	361.5	360.2	359.2	351.5	
Packaging & containers	280.7	307.6	308.2	314.5	312.9	305.7	296.9	302.6	304.3	
Paperboard boxes & containers	251.0	281.1	275.1	286.3	279.4	269.7	265.6	265.5	267.2	
Metal cans	374.3	397.3	414.3	413.7	414.3	414.6	419.8	429.9	430.2	
Paper bags & related products	265.4	280.9	288.1	290.9	289.2	286.4	285.9	286.0	287.9	
Plastic films & bottles	226.2	272.1	255.2	272.1	272.1	272.1	205.7	224.7	224.7	
Glass containers	352.4	360.8	379.8	367.4	377.6	386.9	387.0	389.1	397.8	
Metal foil	214.0	226.9	213.8	216.6	218.2	211.3	209.0	208.9	208.9	
Transportation services	374.5	390.9	393.9	394.0	393.9	393.9	393.9	393.9	393.9	
Advertising	280.2	300.5	320.7	315.3	319.0	322.6	324.4	333.1	337.7	
Fuel & power	705.1	712.5	699.7	695.1	702.8	688.5	711.4	642.3	586.2	
Electric	417.9	440.0	453.8	446.5	452.5	462.6	453.5	458.4	457.9	
Petroleum	895.9	880.4	821.5	818.6	823.0	766.4	878.0	659.4	477.9	
Natural gas	1,155.0	1,162.9	1,155.8	1,155.0	1,173.3	1,170.8	1,124.2	1,107.4	1,111.8	
Communications, water & sewage	199.6	215.5	224.9	219.7	222.4	228.0	229.3	231.4	235.9	
Rent	260.6	261.6	268.2	266.2	266.3	270.2	270.7	273.4	273.4	
Maintenance & repair	338.2	350.3	360.3	357.9	358.4	360.7	364.1	367.2	324.2	
Business services	291.9	306.1	321.3	315.8	320.6	323.7	327.3	328.4	329.4	
Supplies	286.5	288.5	287.8	287.7	287.7	288.2	287.3	287.6	282.7	
Property taxes & insurance	327.5	343.7	362.0	353.8	358.1	365.5	370.7	375.3	380.7	
Interest, short-term	174.0	198.8	157.2	170.1	157.5	150.7	150.7	145.1	128.0	
Total marketing cost index	342.4	358.1	360.0	361.1	360.9	358.4	359.1	364.1	354.6	

^{1/} Indexes measure changes in employee wages and benefits and in prices of supplies and services used in processing, wholesaling, and retailing U.S. farm foods purchased for at-home consumption. p = preliminary.

Note: Annual historical data on food marketing cost indexes may be found in Food Consumption, Prices, and Expenditures, Statistical Bulletin 713, ERS, USDA.

Information contact: Denis Dunham (202) 786-1870.

Livestock and Products

Table 10.—U.S. meats supply and use

Item	Beg. stocks	Pro- duc- tion 1/	Im- ports	Total supply	Ex- ports	Ship- ments	Mil- itary con- sump- tion	Ending stocks	Civilian consumption		Primary market price 3/
									Total	Per capita 2/	
Million pounds 4/											
Beef:											
1983	294	23,243	1,931	25,468	272	40	121	325	24,710	78.6	62.37
1984	325	23,598	1,823	25,746	329	47	112	358	24,900	78.5	65.34
1985	358	23,728	2,068	26,154	328	51	115	317	25,344	79.1	58.37
1986 f	317	23,837	2,125	26,279	500	53	118	350	25,258	78.1	57-59
Pork:											
1983	219	15,199	702	16,120	219	142	89	301	15,369	62.1	47.70
1984	301	14,812	954	16,067	164	147	86	274	15,396	61.8	48.86
1985	274	14,807	1,128	16,209	128	131	78	229	15,643	62.1	44.77
1986 f	229	14,236	1,080	15,545	130	140	76	225	14,974	58.8	50-52
Veal:											
1983	7	453	19	479	4	—	7	9	457	1.6	62.12
1984	9	495	24	528	6	—	4	14	503	1.8	60.23
1985	14	515	20	549	4	—	7	11	526	1.8	62.42
1986 f	11	514	23	548	4	0	7	7	530	1.8	61-63
Lamb and mutton:											
1983	9	375	19	403	1	2	0	11	388	1.5	57.40
1984	11	379	20	410	2	3	0	7	398	1.5	62.17
1985	7	358	36	401	1	2	0	13	385	1.4	68.61
1986 f	13	335	58	386	2	1	0	11	372	1.4	70-72
Total red meat:											
1983	529	32,970	2,670	42,649	497	185	217	646	40,924	143.8	n.a.
1984	646	39,284	2,821	42,751	501	198	202	653	41,197	143.6	n.a.
1985	653	39,408	3,252	43,313	461	185	200	570	41,897	144.5	n.a.
1986 f	570	38,922	3,266	42,758	636	194	201	593	41,134	140.1	n.a.
Broilers:											
1983	22	12,400	0	12,433	432	132	33	21	11,805	50.7	49.8
1984	21	13,016	0	13,038	407	145	34	20	12,432	52.9	55.6
1985	20	13,762	0	13,781	417	143	34	27	13,161	55.5	50.8
1986 f	27	14,439	0	14,465	501	131	33	25	13,775	57.6	57-59
Mature chicken:											
1983	113	717	0	830	18	10	3	92	707	3.0	n.a.
1984	92	672	0	764	26	12	2	119	615	2.6	n.a.
1985	119	636	0	755	21	13	2	144	587	2.5	n.a.
1986 f	144	647	0	792	19	4	1	110	657	2.7	n.a.
Turkeys:											
1983	204	2,649	0	2,853	47	7	13	162	2,624	11.3	60.5
1984	162	2,685	0	2,847	27	7	13	125	2,676	11.4	74.4
1985	125	2,942	0	3,067	27	7	13	150	2,870	12.1	75.5
1986 f	150	3,349	0	3,500	28	6	16	220	3,230	13.5	74-76
Total poultry:											
1983	339	15,766	0	16,105	497	148	50	275	15,136	65.1	n.a.
1984	275	16,373	0	16,648	460	153	49	264	15,722	66.9	n.a.
1985	264	17,340	0	17,604	465	151	49	321	16,618	70.1	n.a.
1986 f	321	18,436	0	18,756	530	141	50	355	17,662	73.8	n.a.
Red meat & poultry:											
1983	868	55,036	2,670	58,574	994	334	267	921	56,060	208.9	n.a.
1984	921	55,657	2,821	59,399	961	351	251	917	56,919	210.5	n.a.
1985	917	56,747	3,252	60,917	926	336	249	891	58,515	214.6	n.a.
1986 f	891	57,358	3,266	61,514	1,184	335	251	948	58,796	213.9	n.a.

1/ Total including farm production for red meats and federally inspected plus non-federally inspected for poultry. 2/ Retail weight basis. 3/ Dollars per cut for red meat; cents per pound for poultry. Beef: choice steers, Omaha 900-lb.; pork: barrows and gilts, 7 markets; veal: farm price of calves; lamb and mutton: choice slaughter lambs, San Angelo; broilers: wholesale 12-city average; turkeys: wholesale NY 8-16 lb. young hens. 4/ Carcass weight for red meats and certified ready-to-cook for poultry. n.a. = not available. f = forecast.

Information contact: Ron Gustafson (202) 786-1850.

Table 11.—U.S. egg supply and use

Beg. stocks	Pro- duc- tion	Im- ports	Total supply	Ex- ports	Ship- ments	Mil- itary use	Hatch- ing use	Ending stocks	Civilian consumption		Wholesale price*
									Total	Per capita	
Million dozen											
1981	19.4	5,824.7	4.7	5,848.7	234.2	22.5	25.1	506.7	17.5	5,042.7	265.4
1982	17.5	5,801.9	2.5	5,821.8	158.2	26.7	22.4	505.6	20.3	5,088.6	265.1
1983	20.3	5,659.2	23.4	5,703.0	85.8	26.6	25.1	500.0	9.3	5,056.2	260.8
1984	9.3	5,708.2	32.0	5,749.5	58.2	27.8	17.6	529.7	11.1	5,105.1	260.9
1985 e	11.1	5,687.5	12.7	5,711.3	70.6	30.3	20.2	548.1	10.7	5,031.3	254.6
1986 f	10.7	5,738.9	10.6	5,760.2	94.4	24.5	19.6	563.1	10.0	5,048.7	253.1

* Cartoned Grade A large eggs in New York. e = estimated. f = forecast.

Information contact: Allen Baker (202) 786-1830.

Table 12.—U.S. milk supply and use¹

Calendar year	Pro- duc- tion	Farm use	Commercial		Im- ports	Total commer- cial supply	CCC net re- movals	Commercial		All milk price 2/
			Farm market- ings	Beg. stocks				Ending stocks	Disap- pear- ance	
Billion pounds										
1980	128.4	2.4	126.1	5.4	2.1	133.6	8.8	5.8	119.0	13.05
1981	132.8	2.3	130.5	5.8	2.3	138.5	12.9	5.4	120.3	13.77
1982	135.5	2.4	133.1	5.4	2.5	141.0	14.3	4.6	122.1	13.61
1983	139.7	2.4	137.3	4.6	2.6	144.5	16.8	5.2	122.5	13.58
1984	135.4	2.9	132.5	5.2	2.7	140.5	8.6	4.9	126.9	13.46
1985 p	143.7	2.5	141.2	4.9	2.8	148.9	13.2	4.6	131.1	12.75
1986 f	145.1	2.3	142.7	4.6	2.9	150.2	10.6	4.8	134.8	12.50

1/ Milkfat basis. Totals may not add because of rounding. 2/ Delivered to plants and dealers; does not reflect deductions. p = preliminary. f = forecast.

Information contact: Jim Miller (202) 786-1830.

Table 13.—Poultry and eggs

	Annual			1985			1986				
	1983	1984	1985	June	Jan	Feb	Mar	Apr	May	June	
Broilers											
Federally inspected slaughter, certified (mil. lb.)	12,389.0	12,998.6	13,569.2	1,094.8	1,211.4	1,087.0	1,115.8	1,249.6	1,229.1	1,185.0	
Wholesale price, 12-city, (cts./lb.)	50.4	55.6	50.8	53.4	51.7	49.0	50.3	50.0	54.6	58.3	
Price of grower feed (\$/ton)	223	233	197	243	191	189	—	189	n.a.	n.a.	
Broiler-feed price ratio 1/	2.6	2.8	3.1	n.a.	3.2	3.1	—	—	3.2	n.a.	
Stocks beginning of period (mil. lb.)	22.3	21.2	19.7	28.0	26.6	26.6	25.2	23.8	22.3	23.7	
Broiler-type chicks hatched (mil.) 2/	4,447.0	4,593.9	4,803.8	410.8	409.4	376.0	429.6	423.9	438.5	428.3	
Turkeys											
Federally inspected slaughter, certified (mil. lb.)	2,563	2,574	2,800	238.5	188.0	174.6	193.6	205.2	236.4	270.4	
Wholesale price, New York, B-16 lb., young hens (cts./lb.)	60.5	74.4	75.5	68.1	60.2	61.7	66.0	64.6	67.1	73.8	
Price of turkey grower feed (\$/ton)	247	245	212	217	209	211	—	215	n.a.	n.a.	
Turkey-feed price ratio 1/	3.0	3.8	4.4	3.7	3.4	3.5	—	3.5	n.a.	n.a.	
Stocks beginning of period (mil. lb.)	203.9	161.8	125.3	183.7	150.2	156.8	161.3	150.0	186.3	226.8	
Poults placed in U.S. (mil.)	181.8	190.0	197.8	20.2	17.2	18.6	20.7	23.0	24.2	23.6	
Eggs											
Farm production (mil.)	67,911	68,498	68,250	5,499	5,862	5,295	5,900	5,650	5,780	5,580	
Average number of layers (mil.)	276	278	277	269	281	280	—	—	n.a.	n.a.	
Rate of lay (eggs per layer on farms)	247	245	247	237	20.9	18.9	—	—	n.a.	n.a.	
Cartoned price, New York, grade A large (cts./doz.) 3/	75.2	80.9	66.4	64.4	73.3	68.3	80.8	65.7	65.2	59.2	
Price of laying feed (\$/ton)	204	206	182	182	181	179	—	177	n.a.	n.a.	
Egg-feed price ratio 1/	6.2	6.8	6.3	5.9	7.2	6.9	—	6.5	n.a.	n.a.	
Stocks, first of month											
Shell (thou. cases)	34	13	31	30	24	28	21	20	32	44	
Frozen (mil. lb.)	25.4	11.8	13.4	14.4	13.2	12.7	12.8	10.7	12.5	11.3	
Replacement chicks hatched (mil.)	407	459	407	33.8	34.4	34.7	39.7	42.7	42.7	37.4	

1/ Pounds of feed equal in value to 1 dozen eggs or 1 lb. of broiler or turkey liveweight. 2/ Placement of broiler chicks are currently reported for 12 states only; henceforth, hatch of broiler-type chicks will be used as a substitute. 3/ Price of cartoned eggs to volume buyers for delivery to retailers. n.a. = not available.

Information contact: Allen Baker (202) 786-1830.

Table 14.—Dairy

	Annual			1985		1986					
	1983	1984	1985	June	Jan	Feb	Mar	Apr	May	June	
Milk prices, Minnesota-Wisconsin, 3.5% fat (\$/cwt.) 1/	12.49	12.29	11.48	11.20	11.12	11.04	11.02	10.98	10.98	11.00	
Price of 16% dairy ration (\$/ton)	188	191	168	168	169	165	n.a.	164	n.a.	n.a.	
Milk-feed price ratio 2/	1.45	1.42	1.51	1.45	1.52	1.50	n.a.	1.46	n.a.	n.a.	
Wholesale prices											
Butter, Grade A Chl. (cts./lb.)	147.3	148.8	141.1	139.1	138.7	138.7	137.5	138.7	138.7	139.1	
Am. cheese, Wls. assembly pt. (cts./lb.)	138.3	138.0	127.7	126.7	123.8	124.5	123.2	125.0	126.0	125.4	
Nonfat dry milk, (cts./lb.) 3/	93.2	90.9	84.0	83.3	80.4	80.1	79.9	80.4	80.4	80.4	
USDA net removals											
Total milk equiv. (mil. lb.) 4/	16,813.7	8,637.0	13,174.1	1,289.6	1,979.9	2,251.0	821.0	1,701.2	1,425.8	1,105.6	
Butter (mil. lb.)	413.2	202.3	334.2	29.2	70.6	79.8	20.8	50.8	39.0	20.5	
Am. cheese (mil. lb.)	832.8	447.3	629.0	69.1	52.5	60.5	39.3	65.6	62.4	68.6	
Nonfat dry milk (mil. lb.)	1,061.0	678.4	940.6	109.3	86.1	100.0	65.6	105.5	99.9	108.6	
Milk											
Total milk production (mil. lb.)	139,672	135,450	143,667	12,885	12,192	11,314	12,726	12,613	13,198	12,706	
Milk per cow (lb.)	12,585	12,506	13,031	11,133	11,091	11,015	11,143	n.a.	n.a.	n.a.	
Number of milk cows (thou.)	11,098	10,833	11,025	11,063	11,163	11,140	11,130	n.a.	n.a.	n.a.	
Stocks, beginning 4/											
Total (mil. lb.)	20,054	22,646	16,429	14,961	13,464	13,355	13,887	14,751	15,650	16,688	
Commercial (mil. lb.)	4,603	5,234	4,937	5,323	4,590	4,760	4,963	4,991	5,057	5,244	
Government (mil. lb.)	15,451	17,412	11,492	10,157	8,874	8,595	8,925	9,759	10,593	11,443	
Imports, total (mil. lb.) 4/	2,616	2,741	2,777	224	292	179	203	162	175	207	
Commercial disappearance milk equiv. (mil. lb.)	122,474	126,912	131,150	11,074	10,137	8,861	11,883	10,818	11,563	11,563	
Butter											
Production (mil. lb.)	1,299.2	1,103.3	1,247.8	95.6	135.8	119.4	120.2	121.7	116.0	92.0	
Stocks, beginning (mil. lb.)	466.8	499.4	296.5	283.2	205.5	206.3	245.5	283.3	304.7	333.8	
Commercial disappearance (mil. lb.)	881.7	902.7	918.2	67.2	60.7	31.8	101.2	74.3	73.8	73.0	
American cheese											
Production (mil. lb.)	2,927.7	2,648.5	2,854.4	266.2	239.2	227.2	263.6	266.1	280.8	262.1	
Stocks, beginning (mil. lb.)	981.4	1,161.5	960.5	878.0	850.2	838.8	810.8	822.3	858.0	902.6	
Commercial disappearance (mil. lb.)	2,083.3	2,253.6	2,278.3	179.6	184.6	164.4	216.2	199.0	206.6	192.3	
Other cheese											
Production (mil. lb.)	1,891.8	2,025.5	2,170.5	176.2	186.7	171.6	199.0	194.9	199.7	197.0	
Stocks, beginning (mil. lb.)	82.8	104.9	101.4	108.0	94.1	93.8	89.3	112.1	95.6	94.8	
Commercial disappearance (mil. lb.)	2,134.3	2,310.9	2,460.5	201.8	206.5	191.5	224.4	199.4	219.4	216.0	
Nonfat dry milk											
Production (mil. lb.)	1,499.9	1,160.7	1,390.0	143.0	123.7	114.7	128.1	137.2	144.0	136.7	
Stocks, beginning (mil. lb.)	1,282.0	1,405.2	1,247.6	1,101.1	1,011.1	981.4	947.0	988.0	965.7	1,024.4	
Commercial disappearance (mil. lb.)	459.9	497.8	435.0	19.5	47.8	20.0	51.6	26.9	38.2	28.3	
Frozen dessert production (mil. gal.) 5/	1,224.2	1,241.8	1,250.0	126.8	82.9	87.2	104.7	111.4	125.3	130.8	

1/ Manufacturing grade milk. 2/ Pounds of 16% protein ration equal in value to 1 pound of milk. 3/ Prices paid f.o.b. Central States production area, high heat spray process. 4/ Milk-equivalent, fat-basis. 5/ Ice cream, ice milk, and hard sherbet. 6/ Estimated. n.a. = not available.

Information contact: Jim Miller (202) 786-1830.

Table 15.—Wool

	Annual			1985		1986					
	1983	1984	1985	June	Jan	Feb	Mar	Apr	May	June	
U.S. wool price, Boston 1/ (cts./lb.)	212	229	192	193	193	189	180	188	198	198	
Imported wool price, Boston 2/ (cts./lb.)	248	241	197	190	204	202	205	210	216	203	
U.S. mill consumption, scoured											
Apparel wool (thou. lb.)	126,729	128,982	106,051	10,469	12,627	11,126	10,770	13,491	10,803	11,381	
Carpet wool (thou. lb.)	13,851	13,088	10,562	797	1,083	798	785	930	924	614	

1/ Wool price delivered at U.S. mills, clean basis, Graded Territory 64's (20.60-22.04 microns) staple 2-3/4" and up. 2/ Wool price delivered at U.S. mills, clean basis, Australian 60/62's, type 64A (24 micron). Duty since 1982 has been 10.0 cents.

Information contact: John Lawler (202) 786-1840.

Table 16.—Meat animals:

	Annual			1985	1986					
	1983	1984	1985	June	Jan	Feb	Mar	Apr	May	June
Cattle on feed (7-States)										
Number on feed (thou. head) 1/	8,316	8,006	8,635	7,057	7,860	7,624	7,262	7,263	7,077	6,523
Placed on feed (thou. head)	19,744	20,772	19,346	1,271	1,581	1,210	1,650	1,555	1,746	1,142
Marketings (thou. head)	18,701	18,785	18,989	1,577	1,740	1,470	1,563	1,621	1,615	1,128
Other disappearance (thou. head)	1,354	1,376	1,132	87	77	102	86	120	132	67
Beef steer-corn price ratio, Omaha 2/	20.6	21.6	23.3	21.3	25.6	24.4	24.0	22.9	22.8	22.3
Hog-corn price ratio, Omaha 2/	15.9	16.1	17.8	17.1	19.0	19.0	17.6	17.2	19.5	22.4
Market prices (\$ per cwt.)										
Slaughter cattle:										
Choice steers, Omaha	62.37	65.34	58.37	56.69	59.69	56.42	55.55	53.68	55.79	54.08
Utility cows, Omaha	39.35	39.81	38.32	39.38	34.94	37.62	38.00	35.95	37.91	38.77
Choice vealers, S. St. Paul	72.97	63.95	58.28	63.44	45.00	52.50	55.00	55.00	55.83	61.10
Feeder cattle:										
Choice, Kansas City, 600-700 lb.	63.70	65.28	64.56	65.40	62.16	62.42	63.22	60.32	60.40	58.50
Slaughter hogs:										
Barrows & gilts, 7-markets	47.71	48.86	44.77	45.68	45.48	43.55	40.88	40.27	46.91	54.50
Feeder pigs:										
S. Mo. 40-50 lb. (per head)	34.03	39.12	37.20	36.74	30.96	37.26	41.33	37.98	39.97	41.92
Slaughter sheep & lambs:										
Lambs, Choice, San Angelo	57.40	62.18	68.61	63.88	65.81	67.50	70.96	74.22	81.25	77.36
Ewes, Good, San Angelo	16.85	20.90	34.02	32.88	34.69	31.88	33.12	32.00	33.94	35.88
Feeder lambs:										
Choice, San Angelo	54.87	61.02	85.91	71.84	77.90	75.12	74.19	79.98	84.22	84.69
Wholesale meat prices, Midwest										
Choice steer beef, 600-700 lb.	97.83	98.01	90.76	89.52	92.26	86.82	85.04	83.34	86.42	83.58
Canner & Cutter cow beef	78.48	74.70	74.13	78.06	69.71	72.92	72.12	68.76	71.39	73.41
Pork loins, 8-14 lb. 3/	—	96.36	91.51	84.03	95.43	91.75	88.12	89.31	102.53	111.58
Pork bellies, 12-14 lb.	60.58	60.08	59.50	58.64	61.27	51.50	50.80	49.45	61.82	71.83
Hams, skinned, 14-17 lb.	75.60	78.22	67.50	63.07	64.44	63.00	61.12	58.20	64.89	69.69
Commercial slaughter (thou. head)*										
Cattle	36,649	37,582	36,293	2,883	3,330	2,715	2,839	3,215	3,235	3,123
Steers	17,486	17,474	16,912	1,438	1,515	1,270	1,339	1,542	1,506	1,519
Heifers	10,758	10,691	11,237	874	989	851	871	927	971	921
Cows	7,597	8,617	7,387	508	765	546	573	692	693	621
Bulls & stags	808	789	758	62	61	48	56	54	65	62
Calves	3,076	3,297	3,385	235	307	272	294	303	276	257
Sheep & lambs	6,619	6,759	6,165	438	518	452	540	492	431	419
Hogs	87,584	89,168	84,492	6,394	7,185	6,306	6,855	7,354	6,884	6,076
Commercial production (mll. lb.)										
Beef	23,060	23,418	23,557	1,898	2,139	1,769	1,861	2,111	2,109	2,027
Veal	428	479	499	37	46	40	43	45	43	41
Lamb & mutton	367	371	352	24	31	27	32	29	25	24
Pork	15,117	14,720	14,728	1,125	1,266	1,101	1,198	1,292	1,210	1,065
	Annual			1985				1986		
	1983	1984	1985	I	II	III	IV	I	II	III

Cattle on feed (13-States)										
Number on feed (thou. head) 1/	10,271	9,908	10,653	10,653	9,676	8,670	7,937	9,694	8,915	7,950
Placed on feed (thou. head)	23,776	24,917	23,326	5,315	5,206	5,480	7,325	5,260	5,181	—
Marketings (thou. head)	22,548	22,540	22,887	5,907	5,787	5,969	5,224	5,723	5,771	5/ 5,661
Other disappearance (thou. head)	1,591	1,632	1,398	373	437	244	344	316	375	—
Hogs & pigs (10-States) 4/										
Inventory (thou. head) 1/	44,150	42,420	41,100	42,420	39,680	41,650	41,820	41,100	38,600	38,045
Breeding (thou. head) 1/	5,638	5,348	5,258	5,348	5,220	5,397	5,377	5,258	4,988	4,840
Market (thou. head) 1/	38,512	37,072	35,842	37,072	34,460	36,253	36,443	35,842	33,612	33,205
Farrowings (thou. head)	9,735	9,020	9,020	1,935	2,420	2,191	2,265	1,940	2,161	5/ 2,021
Pig crop (thou. head)	72,733	67,680	67,648	14,690	18,762	16,941	17,255	14,880	16,878	—

1/ Beginning of period. 2/ Bushels of corn equal in value to 100 pounds live-weight. 3/ Beginning January 1984 prices are for 14-17 lbs.; January 1986 prices are for 14-18 lbs. 4/ Quarters are Dec. of preceding year-Feb. (I), Mar.-May (II), June-Aug. (III), and Sept.-Nov. (IV). 5/ Intentions. *Classes estimated. n.e. = not available.

Information contact: Ron Gustafson (202) 786-1830.

Crops and Products

Table 17.—Supply and utilization^{1,2}

	Area			Production	Total supply ^{4/}	Feed and residual	Other domestic use	Exports	Total use	Ending stocks	Farm price ^{5/}
	Set aside ^{3/}	Planted	Harvested								
	Mil. acres			Bu/acre			Mil. bu			\$/bu	
Wheat											
1981/82	—	88.3	80.6	34.5	2,785	3,777	135	712	1,771	2,618	1,159
1982/83	5.8	86.2	77.9	35.5	2,765	3,932	195	713	1,509	2,417	1,515
1983/84	30.0	76.4	61.4	39.4	2,420	3,939	369	742	1,429	2,540	1,399
1984/85*	18.6	79.2	66.9	38.8	2,595	4,003	409	744	1,424	2,578	1,425
1985/86*	18.8	75.6	64.7	37.5	2,425	3,865	283	767	915	1,965	1,900
1986/87*	20.9	72.0	60.9	35.5	2,165	4,070	300	775	1,150	2,225	1,845
	Mil. acres			Bu/acre			Mil. bu			\$/bu	
Rice											
1981/82	—	3.83	3.79	4,819	182.7	199.6	6/ 9.5	68.6	82.0	150.6	49.0
1982/83	0.42	3.50	3.26	4,710	153.6	203.4	6/ 8.9	54.0	68.9	131.8	71.5
1983/84	1.74	2.19	2.17	4,598	99.7	171.9	6/ 5.6	49.1	70.3	125.0	46.9
1984/85*	.79	2.83	2.80	4,954	138.8	187.2	6/ 8.0	52.4	62.1	122.5	80.6
1985/86*	1.16	2.52	2.50	5,437	136.0	202.7	6/ 6.0	54.0	55.0	115.0	87.7
1986/87*	—	2.35	2.33	5,368	125.2	214.9	6/ 6.0	56.0	80.0	142.0	72.9
	Mil. acres			lb/acre			Mil. cwt (rough equiv.)			\$/cwt	
Corn											
1981/82	—	84.1	74.5	108.9	8,119	9,512	4,169	796	2,010	6,975	2,537
1982/83	2.1	81.9	72.7	113.2	8,235	10,772	4,521	894	1,834	7,249	3,523
1983/84	32.2	60.2	51.5	81.1	4,175	7,700	3,818	975	1,901	6,694	1,006
1984/85*	3.9	80.5	71.9	106.7	7,674	8,684	4,116	1,055	1,865	7,036	1,648
1985/86*	5.4	83.3	75.1	118.0	8,865	10,518	4,150	1,130	1,225	6,505	4,013
1986/87*	14.0	76.6	69.1	120.4	8,316	12,330	4,250	1,150	1,550	6,950	5,380
	Mil. acres			Bu/acre			Mil. bu			\$/bu	
Sorghum											
1981/82	—	15.9	13.7	64.0	876	1,006	417	10	260	687	319
1982/83	0.7	16.0	14.1	59.1	835	1,154	495	10	210	715	439
1983/84	5.7	11.9	10.0	48.7	488	927	385	10	245	640	287
1984/85*	.6	17.3	15.4	56.4	866	1,154	539	18	297	854	300
1985/86*	.9	18.3	16.7	66.7	1,113	1,413	650	30	175	855	558
1986/87*	2.8	15.0	13.5	63.7	860	1,418	575	30	240	845	573
	Mil. acres			Bu/acre			Mil. bu			\$/bu	
Berley											
1981/82	—	9.6	9.0	52.4	474	621	198	175	100	473	148
1982/83	0.4	9.5	9.0	57.2	516	675	241	170	47	458	217
1983/84	1.1	10.4	9.7	52.3	509	733	282	170	92	544	189
1984/85*	.5	12.0	11.2	53.4	599	799	304	170	77	551	247
1985/86*	.7	13.1	11.6	51.0	589	846	332	167	22	521	325
1986/87*	1.8	13.2	12.5	52.2	650	980	300	175	55	530	450
	Mil. acres			Bu/acre			Mil. bu			\$/bu	
Oats											
1981/82	—	13.6	9.4	54.2	510	689	453	77	7	537	152
1982/83	0.1	14.0	10.3	57.8	593	749	441	85	3	529	220
1983/84	.3	20.3	9.1	52.6	477	727	466	78	2	546	181
1984/85*	.1	12.4	8.2	58.0	474	689	433	74	1	509	180
1985/86*	.1	13.3	8.1	63.6	519	726	458	83	2	543	183
1986/87*	0.7	14.8	7.5	58.8	443	656	400	85	2	487	169
	Mil. acres			Bu/acre			Mil. bu			\$/bu	
Soybeans											
1981/82	—	67.5	66.2	30.1	1,989	2,302	7/ 89	1,030	929	2,048	254
1982/83	—	70.9	69.4	31.5	2,190	2,444	7/ 86	1,108	905	2,099	345
1983/84	—	63.8	62.5	26.2	1,636	1,981	7/ 79	983	743	1,805	176
1984/85*	—	67.8	66.1	28.1	1,861	2,037	7/ 93	1,030	598	1,721	316
1985/86*	—	63.1	61.6	34.1	2,099	2,415	7/ 85	1,055	750	1,890	525
1986/87*	—	61.8	60.2	32.9	1,979	2,504	7/ 89	1,055	760	1,904	600
	Mil. acres			Bu/acre			Mil. bu			\$/bu	
Soybean oil											
1981/82	—	—	—	—	10,979	12,715	—	9,536	2,077	11,612	1,103
1982/83	—	—	—	—	12,041	13,144	—	9,858	2,025	11,883	1,261
1983/84	—	—	—	—	10,872	12,133	—	9,588	1,824	11,412	721
1984/85*	—	—	—	—	11,468	12,209	—	9,917	1,660	11,569	632
1985/86*	—	—	—	—	11,663	12,305	—	9,850	1,250	11,100	1,205
1986/87*	—	—	—	—	11,605	12,810	—	10,100	1,200	11,500	1,510
	Mil. lbs						B/ £/lb				
Soybean meal											
1981/82	—	—	—	—	24,634	24,797	—	17,714	6,908	24,622	175
1982/83	—	—	—	—	26,714	26,889	—	19,306	7,109	26,415	474
1983/84	—	—	—	—	22,756	23,230	—	17,615	5,360	22,977	255
1984/85*	—	—	—	—	24,529	24,784	—	19,480	4,917	24,397	387
1985/86*	—	—	—	—	25,013	25,400	—	18,890	6,200	25,050	350
1986/87*	—	—	—	—	24,900	25,250	—	19,200	5,700	24,900	350
	Thou. tons						9/ \$/ton				

See footnotes at end of table.

Table 17.— Supply and utilization, continued

	Area			Production	Total supply 4/	Feed and resid- ual	Other domes- tic use	Ex- ports	Total use	Ending stocks	Farm price 5/	
	Set aside 3/	Planted	Harves- ted									
	Mil. acres		Yield									
Cotton 10/	Mil. bales											
1981/82	—	14.3	13.8	542	15.6	18.3	—	5.3	6.6	11.8	6.6	54.0
1982/83	1.6	11.3	9.7	590	12.0	18.6	—	5.5	5.2	10.7	7.9	59.1
1983/84	6.8	7.9	7.3	508	7.8	15.7	—	5.9	6.8	12.7	2.8	66.4
1984/85*	2.5	11.1	10.4	600	13.0	15.8	—	5.5	6.2	11.8	4.1	58.7
1985/86*	3.6	10.7	10.2	630	13.4	17.6	—	6.4	2.0	8.4	9.3	54.4
1986/87*	—	9.6	8.9	573	10.6	19.9	—	6.8	6.3	13.1	6.9	—

*August 1, 1986 Supply and Demand Estimates. 1/ Marketing year beginning June 1 for wheat, barley, and oats, August 1 for cotton and rice, September 1 for soybeans, corn, and sorghum, October 1 for soymeal, and soyoil. 2/ Conversion factors: Hectare (ha.) = 2.471 acres, 1 metric ton = 2204.622 pounds, 36.7437 bushels of wheat or soybeans, 39.3679 bushels of corn or sorghum, 45.9296 bushels of barley, 68.8944 bushels of oats, 22.046 cwt. of rice, and 4.59 480-pound bales of cotton. 3/ Includes diversion, PIK, and acreage reduction programs. 4/ Includes imports. 5/ Season average. 6/ Statistical discrepancy. 7/ Includes seed. 8/ Average of crude soybean oil, Decatur. 9/ Average of 44 percent, Decatur. 10/ Upland and extra long staple. Stock estimates based on Census Bureau data which results in an unaccounted difference between supply and use estimates and changes in ending stocks.

Information contact: Sam Evans (202) 786-1840.

Table 18.—Food grains

	Marketing year 1/			1985			1986				
	1982/83	1983/84	1984/85	June	Jan	Feb	Mar	Apr	May	June	
Wholesale prices											
Wheat, No. 1 HRW, Kansas City (\$/bu.) 2/	3.94	3.83	3.74	3.38	3.32	3.30	3.36	3.45	3.40	2.80	
Wheat, DNS, Minneapolis (\$/bu.) 2/	3.95	4.21	3.70	3.54	3.38	3.32	3.33	3.42	3.05	2.51	
Rice, S.W. La. (\$/cwt.) 3/	18.00	19.38	17.98	18.00	17.50	17.50	17.50	15.50	12.67	12.75	
Wheat											
Exports (mil. bu.)	1,509	1,429	1,424	90	75	78	74	65	51	86	
Mill grind (mil. bu.)	656	694	676	54	61	60	55	58	59	n.a.	
Wheat flour production (mil. cwt.)	292	308	301	24	27	27	25	26	26	n.a.	
Rice											
Exports (mil. cwt., rough equiv.)	68.9	71.3	61.7	4.27	4.05	2.60	3.46	2.96	3.15	6.52	
Marketing year 1/											
1982/83			1984			1985			1986		
1983/84	1984/85	1985/86	Oct-Dec	Jan-Mar	Apr-May	June-Sept	Oct-Dec	Jan-Mar	Apr-May		
Wheat											
Stocks, beginning (mil. bu.)	1,515	1,399	1,425	2,743	2,141	1,667	1,425.2	2,971.1	2,526.1	2,130.0	
Domestic use:											
Food (mil. bu.)	643	651	678	167	165	105.8	223.7	176.8	166.9	110.7	
Feed & seed (mil. bu.) 4/	469	502	371	62	44	-1.2	334.7	24.9	4.9	6.7	
Exports (mil. bu.)	1,429	1,424	915	374	266	139.1	326.6	247.3	226.1	115.3	

1/ Beginning June 1 for wheat and August 1 for rice. 2/ Ordinary protein. 3/ Long-grain, milled basis. 4/ Feed use approximated by residual. n.a. = not available.

Information contacts: Allen Schlenbein and Janet Livelyzey (202) 786-1840.

Table 19.—Cotton

	Marketing year 1/			1985			1986				
	1982/83	1983/84	1984/85	June	Jan	Feb	Mar	Apr	May	June	
U.S. price, SLM, 1-1/16 in. (cts./lb.) 2/											
	63.1	73.1	60.5	59.8	58.4	59.8	61.7	62.6	63.9	65.2	
Northern Europe prices:											
Index (cts./lb.) 3/	76.7	87.6	69.2	62.9	51.8	54.5	52.3	48.5	45.4	41.1	
U.S. M 1-3/32" (cts./lb.) 4/	78.0	87.1	73.9	72.4	69.1	70.1	71.7	72.9	73.5	41.3	
U.S. mill consumption (thou. bales)	5,512.8	5,883.5	5,517.3	550.0	623.8	522.5	515.9	650.0	527.0	515.9	
Exports (thou. bales)	5,206.8	6,786.0	6,201.3	375.3	186.0	192.9	188.0	173.0	81.0	68.9	
Stocks, beginning (thou. bales)	6,632	7,937	2,775	5,572	13,278	13,126	12,447	11,717	10,972	10,312	

1/ Beginning August 1. 2/ Average spot market. 3/ Liverpool Outlook "A" Index; average of five lowest priced of 10 selected growths. 4/ Memphis territory growths.

Information contact: Ed Glade (202) 786-1840.

Table 20.—Feed grains

	Marketing year 1/			1985	1986					
	1982/83	1983/84	1984/85	June	Jan	Feb	Mar	Apr	May	June
Wholesale prices										
Corn, No. 2 yellow, Chicago (\$/bu.)	2.81	3.46	2.79	2.83	2.51	2.49	2.45	2.46	2.55	2.52
Sorghum, No. 2 yellow, Kansas City (\$/cwt.)	4.80	5.22	4.46	4.74	3.95	3.80	3.82	4.00	4.25	3.97
Barley, feed, Minneapolis (\$/bu.)	1.76	2.48	2.09	1.90	1.57	—	—	—	1.31	1.23
Barley, malting, Minneapolis (\$/bu.)	2.53	2.84	2.55	2.46	2.28	2.20	2.34	2.40	2.07	1.84
Exports										
Corn (mil. bu.)	1,834	1,902	1,865	108	166	121	98	58	48	57
Feed grains (mil. metric tons) 2/	53.0	56.5	56.6	3.4	4.7	3.4	2.7	1.7	1.5	1.7

	Marketing year 1/			1984	1985			1986		
	1982/83	1983/84	1984/85	Sept-Nov	Dec-Feb	Mar-May	June-Aug	Sept-Nov	Dec-Feb	Mar-May
Corn										
Stocks, beginning (mil. bu.)	2,537	3,523	1,006	1,006	6,631	4,623	2,836	1,648	8,615	6,587
Domestic use:										
Feed (mil. bu.)	4,521	3,818	4,116	1,294	1,183	1,026	612	1,210	1,305	1,094
Food, seed, Ind. (mil. bu.)	898	973	1,065	250	242	283	280	272	259	302
Exports (mil. bu.)	1,834	1,902	1,865	506	584	479	296	418	465	204
Total use (mil. bu.)	7,249	6,694	7,036	2,050	2,008	1,789	1,188	1,900	2,029	1,600

1/ September 1 for corn and sorghum; June 1 for oats and barley. 2/ Aggregated data for corn, sorghum, oats, and barley.

Information contacts: Dave Hull (202) 786-1840; Jim Cole (202) 786-1693.

Table 21.—Fats and oils

	Marketing year 1/			1985	1986					
	1982/83	1983/84	1984/85	June	Jan	Feb	Mar	Apr	May	June
Soybeans										
Wholesale price, No. 1 yellow, Chicago (\$/bu.) 2/	6.11	7.78	5.88	5.78	5.36	5.29	5.37	5.29	5.34	5.33
Crushings (mil. bu.)	1,108.0	982.7	1,030.5	82.7	99.6	81.4	91.6	84.4	86.3	79.6
Exports (mil. bu.)	905.2	740.3	600.7	18.2	84.7	92.1	88.7	80.4	57.2	28.7
Stocks, beginning	30.6	58.6	35.3	53.4	119.8	124.6	97.4	84.9	67.6	53.2
Soybean oil										
Wholesale price, crude, Decatur (cts./lb.)	20.62	30.55	29.52	32.46	20.63	18.64	17.56	17.65	17.79	16.22
Production (mil. lb.)	12,040.4	10,872.0	10,614.5	918.9	1,085.8	894.9	1,005.4	935.4	953.3	882.0
Domestic disp. (mil. lb.)	9,857.3	9,598.6	9,777.9	754.8	807.2	780.4	847.0	838.7	761.7	902.1
Exports (mil. lb.)	2,024.7	1,813.6	1,557.1	138.8	80.6	100.7	92.8	124.0	50.7	115.1
Stocks, beginning (mil. lb.)	1,102.5	1,260.9	720.5	706.7	969.4	1,167.4	1,181.1	1,246.6	1,219.3	1,360.2
Soybean meal										
Wholesale price, 44% protein, Decatur (\$/ton)	187.19	188.21	125.46	110.25	153.25	152.25	163.70	157.00	157.90	158.90
Production (thou. ton)	26,713.6	22,756.2	22,729.1	1,952.7	2,343.8	1,925.2	2,159.7	2,008.4	2,036.7	1,879.5
Domestic disp. (thou. ton)	19,306.0	17,541.0	18,479.7	1,525.9	1,739.5	1,397.2	1,405.1	1,486.5	1,667.0	1,430.3
Exports (thou. ton)	7,108.7	5,436.1	4,504.8	353.0	590.3	619.1	649.3	607.7	378.1	452.9
Stocks, beginning (thou. ton)	175.2	474.1	255.4	495.8	358.4	372.4	281.3	386.6	300.8	282.4
Margarine, wholesale price, Chicago (cts./lb.)	41.1	46.3	55.4	55.50	43.99	42.66	41.53	41.75	41.88	40.40

1/ Beginning September 1 for soybeans; October 1 for soymeal and oil; calendar year for margarine. 2/ Beginning April 1, 1982, prices based on 30-day delivery, using upper end of the range.

Information contacts: Roger Hoskin (202) 786-1840; Jan Lipson (202) 786-1693.

Table 22.—Fruit

	Calendar years											
	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986 F
Citrus												
Production (thou. ton)	14,586	14,788	15,242	14,255	13,329	16,484	15,105	12,057	13,608	10,789	10,460	5/ 11,057
Per capita consumption (lbs.) 1/	119.5	117.8	118.8	108.1	108.8	113.1	104.7	110.0	120.7	103.2	115.4	n.a.
Non citrus												
Production (thou. tons)	12,384	11,846	12,274	12,460	13,689	15,152.8	12,961	14,217	14,154	14,290	14,180	n.a.
Per capita consumption (lbs.) 1/	85.5	84.4	84.8	83.3	85.9	87.4	88.2	89.3	89.2	93.4	95.1	n.a.
	1985						1986					
Fob shipping point prices	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Apples (\$/carton) 2/	15.63	14.13	16.17	14.50	14.30	14.00	13.60	15.00	14.85	15.62	18.10	18.50
Pears (\$/box) 3/	n.a.	n.a.	n.a.	14.00	14.00	14.00	14.00	15.59	15.50	n.a.	24.18	25.70
Oranges (\$/box) 4/	6.23	4.71	5.01	5.11	5.79	5.07	4.05	3.69	3.69	3.39	3.91	4.44
Grapefruit (\$/box) 4/	5.94	5.13	6.07	4.01	3.19	3.71	3.70	3.72	3.90	4.58	4.41	5.54
Stocks, ending												
Fresh apples (mil. lbs.)	132.4	34.4	1,712.2	3,668.3	3,342.5	2,724.7	2,125.2	1,550.2	1,039.3	612.6	267.2	118.8
Fresh pears (mil. lbs.)	5.1	92.5	398.7	298.9	222.2	183.2	142.9	101.3	71.6	35.5	4.9	.7
Frozen fruits (mil. lbs.)	707.0	733.8	760.1	819.9	788.9	720.7	656.5	597.1	544.6	496.9	461.4	557.1
Frozen orange juice (mil. lbs.)	1,036.1	912.4	883.8	778.8	656.0	684.4	888.4	966.8	911.5	1,031.6	1,047.5	1,057.2

1/ Per capita consumption of both fresh and processed fruit in fresh weight equivalent. Eighteen fruit items are not included in this year's new per capita consumption series. 2/ Red Delicious, Washington, extra fancy, carton tray pack, 80-115's. 3/ D'Anjou, Washington, standard box wrapped, U.S. No. 1, 90-135's. 4/ U.S. equivalent on-tree returns. 5/ As of August 1, 1986. n.a. = not available. F = forecast.

Information contact: Ben Huang (202) 786-1767.

Table 23.—Vegetables

	Calendar years											
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	
Production												
Total vegetables (1,000 cwt) 1/	369,915	402,936	382,165	413,925	381,370	379,123	431,515	403,320	443,131	391,290		
Fresh (1,000 cwt) 1/ 2/	173,800	176,541	182,563	190,859	190,228	194,694	207,924	197,919	215,236	209,722		
Processed (tons) 3/	9,808,750	11,319,750	9,980,100	11,153,300	9,557,100	9,221,460	11,179,590	10,270,050	11,394,780	9,078,430		
Mushrooms (1,000 lbs.)	151,247	191,080	229,538	255,846	275,052	319,132	337,234	388,075	419,913	n.a.		
Potatoes (1,000 cwt)	357,666	359,334	366,314	342,447	302,857	338,591	355,131	333,911	362,612	404,131		
Sweetpotatoes (1,000 cwt)	13,275	11,885	13,115	13,370	10,953	12,799	14,653	12,083	12,986	14,416		
Dry edibla beans (1,000 cwt)	9,364	7,880	9,840	10,383	14,658	19,486	12,670	7,781	11,617	11,207		
	1985						1986					
Shipments	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Fresh (1,000 cwt) 4/	29,244	25,974	16,414	15,002	18,318	14,708	14,021	22,189	16,643	17,454	19,210	32,927
Potatoes (1,000 cwt)	10,166	8,898	7,747	7,850	10,067	9,646	10,147	12,965	10,726	11,953	13,604	10,037
Sweetpotatoes (1,000 cwt)	135	115	109	332	492	817	504	352	313	413	227	290

1/ 1983 data are not comparable with 1984 and 1985. 2/ Estimates reinstated for asparagus with the 1984 crop; all other years also include broccoli, carrots, cauliflower, celery, sweet corn, lettuce, honeydews, onions, and tomatoes. 3/ Estimates reinstated for cucumbers with the 1984 crop; all other years also include snap beans, sweet corn, green peas, and tomatoes. 4/ Includes snap beans, broccoli, cabbage, carrots, cauliflower, celery, sweet corn, cucumbers, eggplant, lettuce, onions, bell peppers, squash, cantaloupes, honeydews, and watermelons. n.a. = not available.

Information contact: Shannon Hamm (202) 786-1767.

Table 24.—Other commodities

	Annual						1985			1986		
	1982	1983	1984	1985	1986 F	Apr-June	July-Sept	Oct-Dec	Jan-Mar	Apr-June		
Sugar												
Production 1/	5,936	5,682	5,890	5,969	6,145	727	683	2,992	1,671	694		
Deliveries 1/	9,153	8,812	8,454	8,035	8,118	1,972	2,150	2,004	1,892	1,798		
Stocks, ending 1/	3,068	2,570	3,005	3,126	2,475	2,686	1,745	3,126	3,387	2,552		
Coffee												
Composite green price N.Y. (cts./lb.)	132.00	131.51	142.95	137.46	210.00	134.69	124.83	152.81	215.33	190.79		
Imports, green bean equiv. (million lbs.) 2/	2,352	2,259	2,411	2,550	2,450	606	659	612	786	654 F		
	Annual						1985					
Tobacco	1983	1984	1985	Apr	Nov	Dec	Jan	Feb	Mar	Apr		
Prices at auctions 3/												
Flue-cured (cts./lb.)	1.78	1.81	1.72	—	1.66	—	1.60	—	1.58	—	1.48	—
Burley (cts./lb.)	1.77	1.88	—	—	—	—	1.60	—	1.58	—	1.48	—
Domestic consumption 4/												
Cigarettes (bill.)	600.0	600.4	592.0	45.8	49.9	48.0	35.3	43.2	51.5	48.0		
Large cigars (mil.)	3,605	3,491	3,185	240.9	273.9	238.1	225.6	198.9	227.4	257.0		

1/ 1,000 short tons, raw value. Quarterly data shown at end of each quarter. 2/ Green and processed coffee. 3/ Crop year July-June for flue-cured, October-September for burley. 4/ Taxable removals. F = forecast.

Information contacts: (sugar) Dave Harvey (202) 786-1769; (coffee) Fred Gray (202) 786-1769; (tobacco) Verner Grise (202) 786-1840.

World Agriculture

Table 25.—World supply and utilization of major crops, livestock and products

	1980/81	1981/82	1982/83	1983/84	1984/85 E	1985/86 P	1986/87 F
Mill. units							
Wheat							
Area (hectares)	236.9	238.7	237.5	229.1	231.3	229.4	228.9
Production (metric ton)	442.9	448.4	479.2	491.0	515.6	502.8	505.6
Exports (metric ton) 1/	94.1	101.3	98.7	102.0	106.9	85.0	91.7
Consumption (metric ton) 2/	445.7	441.5	467.9	486.0	500.2	494.2	505.9
Ending stocks (metric ton) 3/	78.2	85.0	96.3	101.3	116.7	125.3	125.1
Coarse grains							
Area (hectares)	342.4	350.2	339.2	334.2	339.7	343.3	338.7
Production (metric ton)	732.9	769.8	778.4	684.5	809.1	844.2	821.0
Exports (metric ton) 1/	108.0	96.6	89.9	91.9	100.7	82.8	90.1
Consumption (metric ton) 2/	743.0	739.8	749.9	759.7	780.5	774.9	787.3
Ending stocks (metric ton) 3/	82.8	112.9	149.9	74.7	103.3	172.6	206.4
Rice, milled							
Area (hectares)	144.4	145.1	141.2	144.3	144.0	142.9	144.7
Production (metric ton)	271.0	280.6	285.7	308.0	318.3	316.4	320.1
Exports (metric ton) 4/	13.1	11.8	11.9	12.6	11.5	12.3	11.9
Consumption (metric ton) 2/	272.3	281.5	289.6	308.1	313.8	314.0	321.5
Ending stocks (metric ton) 3/	22.1	21.3	17.3	17.2	21.7	24.2	22.7
Total grains							
Area (hectares)	723.8	734.0	717.9	707.6	715.0	715.6	712.3
Production (metric ton)	1,446.8	1,498.8	1,543.3	1,483.4	1,643.0	1,663.4	1,646.7
Exports (metric ton) 1/	215.2	209.7	200.5	206.5	219.1	180.1	193.7
Consumption (metric ton) 2/	1,461.0	1,462.8	1,507.4	1,554.4	1,594.5	1,583.1	1,614.7
Ending stocks (metric ton) 3/	183.2	219.2	263.5	192.6	241.7	322.1	354.2
Oilseeds							
Crush (metric ton)	132.9	138.3	143.4	137.0	150.6	153.8	157.3
Production (metric ton)	155.8	169.4	178.1	165.5	190.0	194.8	198.0
Exports (metric ton)	32.1	35.8	35.1	32.9	32.8	34.0	35.5
Ending stocks (metric ton)	20.5	18.9	20.5	15.8	20.6	26.4	29.4
Meals							
Production (metric ton)	90.8	94.1	98.0	93.0	101.7	103.8	106.1
Exports (metric ton)	25.9	28.9	31.6	29.6	32.5	33.0	33.1
Oils							
Production (metric ton)	40.0	41.6	43.4	42.5	46.4	49.0	50.2
Exports (metric ton)	12.5	13.3	14.0	13.7	15.5	16.6	16.9
Cotton							
Area (hectares)	32.4	33.2	31.9	31.4	34.3	32.4	31.5
Production (bale)	64.8	70.8	67.5	67.7	86.9	78.8	75.1
Exports (bale)	19.7	20.2	19.4	19.2	20.2	20.0	22.1
Consumption (bale)	65.9	65.5	68.0	69.0	69.9	74.0	76.0
Ending stocks (bale)	24.1	25.4	25.0	25.0	41.9	47.1	45.8
	1980	1981	1982	1983	1984	1985	1986 F
Red meat							
Production (mill. metric tons)	93.3	93.6	93.9	96.5	98.2	101.2	101.5
Consumption (mill. metric tons)	92.0	91.8	92.2	94.5	96.0	99.3	99.7
Exports (mill. metric tons) 1/	5.5	5.7	5.8	5.9	5.9	6.3	6.5
Poultry							
Production (mill. metric tons)	21.3	22.4	23.0	23.5	24.3	25.3	26.1
Consumption (mill. metric tons)	21.1	22.1	22.7	23.4	24.0	24.9	25.7
Exports (mill. metric tons) 1/	1.1	1.5	1.4	1.3	1.2	1.1	1.1
Dairy							
Milk production	391.1	389.7	397.9	413.1	413.1	417.4	420.8

E = Estimated. P = Projected. F = Forecast. 1/ Excludes intra-EC trade. 2/ Where stocks data not available (excluding USSR), consumption includes stock changes. 3/ Stocks data are based on differing marketing years and do not represent levels at a given date. Data not available for all countries; includes estimated change in USSR grain stocks but not absolute level. 4/ Calendar year data. 1981 data correspond with 1980/81, etc.

Information contact: Frederic Suris, (202) 786-1693.

U.S. Agricultural Trade

Table 26.—Prices of principal U.S. agricultural trade products

	Annual			1985	1986					
	1983	1984	1985	June	Jan	Feb	Mar	Apr	May	June
Export commodities										
Wheat, f.o.b. vessel, Gulf ports (\$/bu.)	4.30	4.17	3.73	3.65	3.63	3.57	3.71	3.76	3.49	2.92
Corn, f.o.b. vessel, Gulf ports (\$/bu.)	3.49	3.50	2.89	2.97	2.75	2.67	2.57	2.59	2.70	2.69
Grain sorghum, f.o.b. vessel, Gulf ports (\$/bu.)	3.34	3.00	2.64	2.72	2.51	2.46	2.42	2.56	2.71	2.37
Soybeans, f.o.b. vessel, Gulf ports (\$/bu.)	7.31	7.38	5.83	6.03	5.72	5.63	5.65	5.57	5.59	5.53
Soybean oil, Decatur (cts./lb.)	23.51	30.75	27.03	32.42	20.27	18.34	17.41	17.64	17.72	16.75
Soybean meal, Decatur (\$/ton)	200.91	166.80	127.15	110.80	152.55	153.28	163.19	156.72	157.60	158.55
Cotton, 8 market avg. spot (cts./lb.)	68.68	68.37	58.55	59.76	58.39	59.81	61.75	62.62	63.95	65.24
Tobacco, avg. price at auction (cts./lb.)	173.96	170.66	172.05	175.84	163.65	162.27	159.39	158.59	158.01	158.01
Rice, f.o.b. mill, Houston (\$/cwt.)	19.39	19.47	18.57	18.75	17.88	17.50	17.31	17.25	13.75	13.60
Inedible tallow, Chicago (cts./lb.)	13.41	17.47	14.33	14.31	12.00	11.81	9.38	8.94	8.72	7.56
Import commodities										
Coffee, N.Y. spot (\$/lb.)	1.33	1.46	1.42	1.40	2.41	2.26	2.35	2.28	2.18	1.93
Rubber, N.Y. spot (cts./lb.)	56.19	49.70	41.91	41.64	40.74	42.76	41.98	39.18	40.10	41.06
Cocoa beans, N.Y. (\$/lb.)	.92	1.06	.99	.92	1.01	.86	.91	.85	.81	.81

Information contact: Frederic Suris (202) 786-1693.

Table 27.—Indexes of nominal and real trade-weighted dollar exchange rates

	1985					1986						
	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
1980=100												
Total U.S. trade	146	148	140	137	136	134	129	126	125	123	124	n.a.
Nominal	146	148	149	141	138	137	135	130	127	126	125	n.a.
Real												
April 1971=100												
Agricultural trade												
Nominal 1/	2,392	2,583	2,830	3,083	3,183	3,544	4,093	4,495	4,500	4,511	4,498	4,567
Real 2/	102	103	99	99	91	90	88*	86*	85*	84*	84*	83*
Soybeans												
Nominal 1/	201	210	210	229	114	112	107	105	105	103	103	161
Real 2/	97	98	92	91	84	82	79*	76*	76*	74*	74*	74*
Wheat												
Nominal 1/	13,008	14,116	15,607	17,029	18,368	20,580	23,953	26,425	26,457	26,533	26,449	26,499
Real 2/	110	111	109	109	103	102	102*	102*	99*	97*	95*	93*
Corn												
Nominal 1/	2,227	2,403	2,627	2,865	2,903	3,227	3,720	4,081	4,086	4,095	4,083	4,172
Real 2/	100	101	97	96	86	85	81*	79*	78*	76*	76*	76*
Cotton												
Nominal 1/	213	215	213	215	216	216	214	228	227	226	233	231
Real 2/	100	100	98	97	97	97	95*	94*	93*	92*	92*	90*

1/ Nominal values are percentage changes in currency units per dollar, weighted by proportion of agricultural exports from the United States. An increase indicates that the dollar has appreciated. 2/ Real values are computed in the same way as the nominal series, adjusted for CPI changes in the countries involved.

*Preliminary; assumes the same rate of CPI increase/decrease as the previous six months. n.a. = not available.

Information contact: Edward Wilson (202) 786-1688.

Table 28.—Trade balance

	Fiscal years*								Oct-June	
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1986
Exports										
Agricultural	27,289	31,979	40,481	43,780	39,095	34,769	38,027	31,187	20,818	1,683
Nonagricultural	104,270	135,839	169,846	185,423	176,310	159,373	170,014	179,253	132,517	14,744
Total 1/	131,559	167,818	210,327	229,203	215,405	194,142	208,041	210,440	153,335	16,427
Imports										
Agricultural	13,886	16,186	17,276	17,218	15,481	16,271	18,916	19,740	15,868	1,591
Nonagricultural	152,095	177,424	223,590	237,469	233,353	230,629	297,736	313,863	255,497	29,976
Total 2/	165,981	193,610	240,866	254,687	248,834	246,900	316,652	333,603	271,365	31,567
Trade balance										
Agricultural	13,403	15,793	23,205	26,562	23,614	18,498	19,111	11,447	4,950	92
Nonagricultural	-47,825	-41,585	-53,744	-52,046	-57,043	-71,256	-127,722	-134,610	-122,980	-15,232
Total	-34,422	-25,792	-30,539	-25,484	-33,429	-52,758	-108,611	-123,163	-118,030	-15,140

*Fiscal years begin October 1 and end September 30. Fiscal year 1985 began Oct. 1, 1984 and ended Sept. 30, 1985.

1/ Domestic exports including Department of Defense shipments (F.A.S. value). 2/ Imports for consumption (customs value).

Information contact: Steve MacDonald (202) 786-1621.

Table 29.—U.S. agricultural exports and imports

	Fiscal years*			Oct-June*		Fiscal years*			Oct-June*		
	1983	1984	1985	1986	1986	1983	1984	1985	1986	1986	June
	Thousand units						\$ million				
Exports											
Animals, live (no.)	763	754	996	470	85	264	276	255	243	12	
Meats & preps., excl. poultry (mt)	412	422	427	324	33	926	929	906	739	76	
Dairy products (mt)	339	418	422	344	24	349	393	413	308	26	
Poultry meats (mt)	250	225	234	196	21	281	280	257	206	22	
Fats, oils, & greases (mt)	1,443	1,395	1,217	1,045	85	593	703	608	386	25	
Hides & skins incl. furskins	—	—	—	—	—	997	1,318	1,325	1,114	122	
Cattle hides, whole (no.)	21,989	24,283	25,456	19,481	2,198	709	1,010	1,019	852	100	
Mink pelts (no.)	2,446	2,551	2,222	2,447	263	62	67	60	59	6	
Grains & feeds (mt)	102,016	108,194	93,829	55,683	4,877	15,050	17,304	13,270	7,274	652	
Wheat (mt)	36,701	41,699	28,522	16,889	2,164	5,910	6,497	4,263	2,309	275	
Wheat flour (mt)	1,529	1,071	766	776	102	256	234	164	151	21	
Rice (mt)	2,276	2,293	1,972	1,204	209	874	897	677	411	52	
Feed grains, excl. products (mt)	53,481	55,285	54,931	29,958	1,678	6,496	8,129	6,775	3,217	180	
Feeds & fodders (mt)	7,171	7,021	6,543	6,081	654	1,193	1,216	1,005	933	101	
Other grain products (mt)	859	825	1,095	776	71	321	331	385	253	23	
Fruits, nuts, and preps. (mt)	2,120	1,931	1,907	1,539	169	1,660	1,594	1,687	1,331	140	
Fruit Juices incl. froz. (hl)	5,803	5,598	4,641	2,726	281	222	223	200	112	11	
Vegetables & preps. (mt)	1,578	1,527	1,420	1,152	118	990	999	946	783	80	
Tobacco, unmanufactured (mt)	245	227	257	195	10	1,487	1,433	1,588	1,149	61	
Cotton, excl. linters (mt)	1,136	1,481	1,277	333	13	1,683	2,395	1,945	516	21	
Seeds (mt)	275	252	300	215	16	333	326	353	301	15	
Sugar, cane or beet (mt)	141	285	355	249	25	38	74	65	47	7	
Oilseeds & products (mt)	34,322	26,961	23,806	23,914	1,364	8,721	8,602	6,195	5,389	322	
Oilseeds (mt)	26,039	20,466	17,886	18,413	853	6,332	6,254	4,324	3,912	184	
Soybeans (mt)	24,522	19,265	16,620	17,990	782	5,866	5,734	3,876	3,739	162	
Protein meal (mt)	6,688	5,060	4,609	4,574	413	1,486	1,217	854	915	87	
Vegetable oils (mt)	1,596	1,435	1,311	927	97	902	1,131	1,018	562	51	
Essential oils (mt)	10	11	12	5	1	88	96	105	81	8	
Other	—	—	—	—	—	345	310	319	837	83	
Total	—	—	—	—	—	34,769	38,027	31,187	20,818	1,683	
Imports											
Animals, live (no.)	1,553	1,907	2,120	1,493	109	555	596	569	486	29	
Meats & preps., excl. poultry (mt)	938	905	1,123	810	97	2,092	1,931	2,214	1,604	185	
Beef & veal (mt)	661	550	674	483	63	1,387	1,165	1,295	886	108	
Pork (mt)	251	328	416	296	32	638	703	847	645	71	
Dairy products (mt)	299	382	418	300	27	709	757	763	585	60	
Poultry and products	—	—	—	—	—	91	122	93	70	7	
Fats, oils, & greases (mt)	11	18	21	15	2	7	13	18	12	2	
Hides & skins, incl. furskins	—	—	—	—	—	191	216	240	159	17	
Wool, unmanufactured (mt)	38	59	43	41	5	124	193	145	125	14	
Grains & feeds (mt)	1,611	1,805	2,070	1,760	282	448	534	604	496	56	
Fruits, nuts, & preps., excl. juices (mt)	3,597	4,036	4,483	3,630	401	1,386	1,634	1,891	1,523	174	
Bananas & plantains (mt)	2,516	2,727	3,022	2,298	267	585	666	752	559	66	
Fruit juices (hl)	22,166	27,247	35,112	23,646	2,514	479	671	995	548	50	
Vegetables & preps. (mt)	1,693	2,093	2,140	1,853	130	1,138	1,314	1,347	1,302	92	
Tobacco, unmanufactured (mt)	239	190	191	151	14	734	563	556	445	36	
Cotton, unmanufactured (mt)	8	32	31	34	3	7	17	17	13	1	
Seeds (mt)	85	82	92	77	3	91	97	91	89	6	
Nursery stock & cut flowers	—	—	—	—	—	228	292	318	271	21	
Sugar, cane or beet (mt)	2,564	2,829	2,338	1,482	187	974	1,144	912	516	62	
Oilseeds & products (mt)	1,021	1,137	1,271	1,120	115	493	799	784	503	45	
Oilseeds (mt)	185	223	253	143	22	80	95	98	52	7	
Protein meal (mt)	87	118	159	103	9	14	21	17	11	1	
Vegetable oils (mt)	749	797	859	874	84	399	683	670	440	38	
Beverages excl. fruit juices (hl)	12,426	14,120	15,494	10,978	1,331	1,346	1,547	1,622	1,349	158	
Coffee, tea, cocoa, spices (mt)	1,701	1,776	1,868	1,462	132	3,984	4,777	4,983	4,637	459	
Coffee, incl. products (mt)	1,061	1,128	1,128	931	79	2,832	3,300	3,244	3,346	339	
Cocoa beans & products (mt)	464	451	539	373	34	829	1,058	1,285	902	75	
Rubber & allied gums (mt)	654	809	799	619	55	582	854	680	472	47	
Other	—	—	—	—	—	717	844	900	665	73	
Total	—	—	—	—	—	16,373	18,916	19,740	15,868	1,591	

*Fiscal years begin October 1 and end September 30. Fiscal year 1985 began Oct. 1, 1984 and ended Sept. 30, 1985.
-- Not available.

Information contact: Steve MacDonald (202) 786-1621.

Table 30. U.S. agricultural exports by regions

Region & country	Fiscal years*			Oct-June ^b	June	Change from year ^a earlier				
	1983	1984	1985			1983	1984	1985	1986	1986
	\$ MIL.									
Western Europe	10,148	9,265	7,184	5,787	507	-17	-9	-22	-3	-11
European Community	9,465	8,650	6,664	5,465	288	-17	-9	-23	-1	-9
Belgium-Luxembourg	811	836	470	316	12	-13	3	-44	-13	-52
France	517	510	396	351	19	-22	-1	-22	6	-7
Germany, Fed. Rep.	1,454	1,260	900	872	57	-8	-13	-29	16	33
Italy	799	771	677	594	33	-23	-4	-12	0	-5
Netherlands	2,821	2,227	1,927	1,719	93	-14	-21	-13	6	14
United Kingdom	821	790	628	505	37	-13	-4	-21	0	16
Portugal	638	702	502	257	16	9	10	-28	-36	-48
Spain, Incl. Canary Islands	1,199	1,232	826	650	10	-37	3	-33	-5	-69
Other Western Europe	682	614	521	323	19	-14	-10	-15	-23	-39
Switzerland	355	311	237	105	8	5	-12	-24	-49	-45
Eastern Europe	827	741	532	389	15	-10	-10	-28	-13	-34
Germany Dem. Rep.	123	132	81	47	1	-46	7	-39	-41	56
Poland	232	197	126	32	4	29	-15	-36	-69	-45
Yugoslavia	249	180	137	104	7	39	-28	-24	-6	198
Romania	115	155	88	106	0	-21	35	-43	-45	-97
USSR	983	2,512	2,509	1,093	43	-58	156	0	-56	16
Asia	13,588	15,209	11,934	8,101	708	-4	12	-22	-15	-18
West Asia (Mideast)	1,482	1,865	1,452	900	93	0	26	-22	-23	-13
Turkey	28	222	129	104	14	-74	693	-42	-16	438
Iraq	323	423	371	232	18	139	31	-12	-29	-62
Israel	293	351	300	183	13	-14	20	-15	-21	-31
Saudi Arabia	446	497	381	215	21	-6	11	-23	-25	-5
South Asia	1,170	867	600	371	38	64	-26	-31	-22	-38
Bangladesh	153	157	205	49	0	25	3	31	-74	-99
India	762	376	129	65	7	146	-51	-66	-37	-17
Pakistan	215	285	229	226	30	-2	33	-20	49	-26
East & Southeast Asia	10,936	12,477	9,882	6,830	577	-8	14	-21	-13	-17
China	546	692	239	81	4	-70	27	-65	-55	-10
Taiwan	1,237	1,409	1,342	887	82	6	14	-5	-19	-11
Japan	5,888	6,935	5,663	4,074	335	3	18	-18	-10	-5
Korea, Rep.	1,713	1,816	1,400	959	78	7	6	-23	-13	-47
Hong Kong	344	407	396	295	28	-15	18	-3	1	-5
Indonesia	410	438	204	115	8	-5	7	-53	-30	-59
Philippines	380	300	285	198	25	19	-21	-5	-4	-17
Africa	2,272	2,868	2,529	1,586	166	-7	26	-12	-22	-28
North Africa	1,452	1,542	1,208	1,085	117	-4	6	-22	6	56
Morocco	225	341	156	127	8	33	52	-54	-4	-63
Algeria	203	162	221	240	41	-8	-20	-36	20	61
Egypt	911	882	766	698	64	1	-3	-13	10	190
Sub-Saharan	821	1,327	1,320	501	49	-22	62	-1	-51	-68
Nigeria	332	345	367	93	3	-38	4	6	-70	-92
Rep. S. Africa	130	525	189	41	6	-2	304	-64	-76	46
Latin America & Caribbean	4,858	5,279	4,567	2,636	313	-2	9	-13	-27	-12
Brazil	400	438	557	258	15	-31	10	27	-45	-10
Caribbean Islands	774	827	771	563	60	1	7	-7	-2	6
Central America	356	396	358	225	20	4	11	-10	-13	-17
Colombia	256	220	238	113	15	-6	-14	8	-38	-7
Mexico	1,777	1,966	1,566	894	99	19	11	-20	-33	-31
Peru	258	227	106	70	6	-17	-12	-53	-16	14
Venezuela	617	778	721	362	80	-17	26	-7	-32	12
Canada	1,870	1,936	1,727	1,077	116	0	4	-11	-20	-33
Oceania	224	216	204	148	15	-24	4	-6	-10	38
Total	34,769	38,027	31,187	20,818	1,683	-11	9	-18	-18	-18

*Fiscal years begin October 1 and end September 30. Fiscal year 1985 began Oct. 1, 1984 and ended Sept. 30, 1985.

Note: Adjusted for transshipments through Canada.

Information contact: Steve MacDonald (202) 786-1621.

Farm Income

Table 31.—Farm income statistics

	Calendar years										
	Billion dollars										
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985 p	1986 F
1. Farm receipts											
Crops (incl. net CCC loans)	49.0	48.6	53.2	62.3	71.7	72.5	72.4	67.0	69.2	72.7	61 to 65
Livestock	46.3	47.6	59.2	69.2	68.0	69.2	70.2	69.5	72.9	69.4	69 to 75
Farm related 1/	1.1	1.2	1.9	2.2	2.3	2.5	4.5	4.4	4.3	6.4	4 to 6
2. Direct Government payments											
Cash payments	0.7	1.8	3.0	1.4	1.3	1.9	3.5	9.3	8.4	7.7	10 to 13
Value of PIK commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.2	4.0	7.6	8 to 11
3. Total gross farm income (4+5+6)											
4. Gross cash income (1+2) 2/	97.2	99.3	117.3	135.1	143.3	146.0	150.6	150.2	154.9	156.2	149 to 153
5. Nonmoney income 3/	7.3	8.4	9.3	10.6	12.3	13.8	14.1	13.2	13.3	11.5	9 to 11
6. Value of inventory change	-1.5	1.1	1.9	5.0	-6.3	6.5	-1.3	-10.9	6.3	-1.1	-6 to -2
7. Cash expenses 4/											
8. Total expenses	82.7	88.9	103.2	123.3	133.1	139.4	140.7	139.5	141.7	136.1	127 to 131
9. Net cash income (4-7)											
10. Net farm income (3-8) Deflated (1982\$)	20.2	19.9	25.2	27.4	16.1	26.9	22.7	13.0	32.7	30.5	25 to 29
11. Off-farm income											
12. Loan changes 5/: Real estate	5.2	7.6	7.6	13.0	9.4	9.3	4.0	2.5	-0.8	-5.6	-6 to -2
5/1 Nonreal estate	6.0	6.8	8.3	10.9	5.9	6.2	3.3	1.0	-0.7	-9.7	-7 to -3
14. Rental income plus monetary change											
15. Capital expenditures 5/	14.0	15.0	17.9	19.9	18.0	16.8	13.7	13.0	12.5	10.1	7 to 10
16. Net cash flow (9+12+13+14-15)											
	30.6	30.7	35.0	42.2	36.5	36.6	36.7	33.0	32.8	26.0	31 to 35

p=preliminary. F=Forecast. 1/ Income from machine hire, custom work, sales of forest products, and other misc. cash sources. 2/ Numbers in parentheses indicate the combination of items required to calculate a given item. 3/ Value of home consumption of self-produced food and imputed gross rental value of farm dwellings. 4/ Excludes capital consumption, perquisites to hired labor, and farm household expenses.

5/ Excludes farm households.

Information contact: Gary Lucier (202) 786-1807.

Table 32.—Cash receipts from farming

	Annual						\$ mil.	1985					1986				
	1980	1981	1982	1983	1984	1985 p		Jan	Feb	Mar	Apr	May					
Farm marketings and CCC loans 1/	139,736	141,616	142,624	136,460	142,153	142,178	9,674	12,469	9,140	9,376	9,535	8,641					
Livestock and products	67,991	69,151	70,249	69,453	72,905	69,401	5,928	5,341	5,019	5,398	5,541	5,714					
Meat animals	41,233	39,748	40,917	38,893	40,832	38,185	3,310	2,850	2,819	2,938	3,101	3,181					
Dairy products	16,365	18,095	18,234	18,757	17,944	18,135	1,627	1,427	1,296	1,438	1,431	1,502					
Poultry and eggs	9,160	9,949	9,538	10,003	12,219	11,196	865	924	798	898	881	901					
Other	1,233	1,358	1,560	1,800	1,910	1,885	126	140	105	124	128	129					
Crops	71,746	72,465	72,375	67,007	69,248	72,778	3,546	7,129	4,121	3,979	3,994	2,927					
Food grains	10,402	11,619	11,469	9,733	9,578	8,846	267	582	349	242	186	136					
Feed crops	16,508	17,770	17,404	15,567	15,728	21,397	826	2,998	1,244	1,176	972	664					
Cotton (lint and seed)	4,447	4,055	4,454	3,711	3,270	3,800	-45	788	251	62	8	-34					
Tobacco	2,672	3,250	3,342	2,768	2,841	2,722	4	183	85	0	0	0					
Oil-bearing crops	19,493	13,853	13,812	13,530	13,861	12,237	427	1,095	522	719	739	68					
Vegetables and melons	7,307	8,772	8,113	8,512	9,237	8,582	975	628	501	711	807	1,079					
Fruits and tree nuts	6,552	6,603	6,821	6,062	6,787	6,887	394	290	606	502	315	282					
Other	6,560	6,543	6,960	7,326	7,946	8,306	698	564	562	766	967	731					
Government payments	1,286	1,932	3,492	9,295	8,430	7,704	208	69	674	41	1,926	1,680					
Total	141,022	143,548	146,116	145,755	150,583	149,882	9,682	12,538	9,814	9,417	11,461	10,321					

1/ Receipts from loans represent value of commodities placed under CCC loans minus value of redemptions during the month. p = preliminary.

Information contact: Roger Strickland (202) 786-1804.

Table 33.—Cash receipts from farm marketings, by States

State	Livestock and Products				Crops 1/				Total 1/			
	1984	1985	Apr 1986	May 1986	1984	1985	Apr 1986	May 1986	1984	1985	Apr 1986	May 1986
	\$ MIL. 2/											
North Atlantic												
Maine	284	250	21	23	167	127	12	9	451	378	33	32
New Hampshire	77	71	6	7	33	36	3	2	110	107	10	9
Vermont	372	352	29	30	30	32	2	1	402	384	31	32
Massachusetts	131	124	11	12	258	265	14	11	389	389	25	23
Rhode Island	14	13	1	1	48	49	5	4	62	63	6	5
Connecticut	220	206	16	17	125	110	8	6	346	316	24	24
New York	1,921	1,845	146	152	745	719	56	44	2,666	2,564	201	195
New Jersey	135	144	12	12	404	447	29	29	538	591	41	41
Pennsylvania	2,242	2,184	173	180	848	966	85	68	3,090	3,150	258	248
North Central												
Ohio	1,626	1,511	120	130	1,989	2,430	125	95	3,614	3,940	245	225
Indiana	1,801	1,728	120	134	2,426	2,869	114	83	4,228	4,597	235	216
Illinois	2,173	2,063	143	167	4,482	5,704	298	171	6,655	7,768	441	338
Michigan	1,298	1,231	87	102	1,496	1,619	106	83	2,793	2,850	194	185
Wisconsin	4,075	4,100	309	334	878	1,012	51	45	4,953	5,111	360	378
Minnesota	3,360	3,370	234	264	2,728	3,102	129	83	6,088	6,472	362	347
Iowa	5,015	4,811	367	390	3,924	4,390	208	118	8,939	9,201	574	509
Missouri	2,166	1,930	176	154	1,530	1,738	79	41	3,696	3,668	256	196
North Dakota	693	686	49	45	1,839	2,060	81	50	2,532	2,746	130	95
South Dakota	1,804	1,903	127	127	1,021	1,076	54	31	2,826	2,979	181	158
Nebraska	4,524	4,113	330	384	2,510	3,093	149	92	7,035	7,206	479	476
Kansas	3,614	3,264	301	318	2,406	2,478	66	51	6,020	5,741	367	368
Southern												
Delaware	383	352	33	34	143	137	5	4	527	490	38	38
Maryland	810	770	70	67	369	378	13	12	1,179	1,148	84	79
Virginia	1,121	1,004	91	68	665	623	14	14	1,786	1,627	106	82
West Virginia	183	192	16	14	43	49	2	1	225	241	18	15
North Carolina	1,941	1,934	145	146	2,253	1,980	43	46	4,194	3,914	188	192
South Carolina	427	415	27	26	736	618	14	16	1,164	1,033	42	42
Georgia	1,848	1,727	192	185	1,772	1,600	47	41	3,620	3,327	239	226
Florida	1,091	1,015	88	80	3,642	3,801	716	173	4,733	4,816	804	253
Kentucky	1,415	1,352	77	67	1,288	1,519	29	16	2,703	2,871	106	83
Tennessee	1,054	1,000	81	67	1,051	1,057	15	6	2,105	2,057	96	73
Alabama	1,588	1,301	117	105	803	776	22	18	2,192	2,077	139	123
Mississippi	1,046	1,010	83	87	1,118	1,126	24	-4	2,164	2,136	107	82
Arkansas	1,885	1,825	154	152	1,400	1,455	-1	-6	3,285	3,280	152	145
Louisiana	480	491	29	29	1,147	968	59	40	1,627	1,460	88	69
Oklahoma	1,776	1,726	108	118	879	938	34	32	2,655	2,664	142	150
Texas	5,901	5,441	552	566	3,569	3,857	120	163	9,470	9,298	672	729
Western												
Montana	717	802	51	53	649	405	26	20	1,366	1,207	77	73
Idaho	901	862	64	61	1,383	1,200	51	32	2,284	2,063	115	92
Wyoming	472	479	33	34	114	110	3	2	586	589	36	37
Colorado	2,205	2,019	181	144	1,141	1,145	56	45	3,345	3,164	238	189
New Mexico	657	718	45	61	334	369	14	14	1,991	1,086	59	75
Arizona	753	702	50	65	900	827	28	76	1,654	1,529	78	141
Utah	449	409	33	31	139	138	8	5	588	548	41	36
Nevada	172	144	14	16	79	78	8	4	251	222	22	19
Washington	1,031	932	76	77	2,100	1,865	99	87	3,132	2,797	176	164
Oregon	630	622	41	39	1,216	1,156	47	35	1,846	1,778	88	74
California	4,529	4,165	302	329	9,944	9,805	789	886	14,473	13,970	1,091	1,215
Alaska	7	8	1	1	18	18	1	1	25	26	2	2
Hawaii	87	83	7	8	463	458	33	34	550	540	41	42
United States	72,905	69,401	5,541	5,714	69,248	72,778	3,994	2,927	142,153	142,178	9,535	8,641

1/ Sales of farm products include receipts from commodities placed under CCC loans minus value of redemptions during the period.

2/ Estimates as of the end of current month. Rounded data may not add.

Information contact: Roger Strickland (202) 786-1804.

Transportation

Table 34.—Rail rates; grain and fruit-vegetable shipments; truck costs

	Annual			1985 June	1986					
	1983	1984	1985		Jan.	Feb.	Mar.	Apr.	May	June
Rail freight rate index 1/ (Dec 1984 = 100)										
All products	95.0	99.3	100.0	99.9	101.0	101.0	101.0 p	100.9 p	100.9 p	100.9 p
Farm products	94.0	98.7	99.0	98.5	99.6	99.7	99.6 p	99.7 p	99.8 p	100.3 p
Grain	94.0	98.6	98.3	97.3	98.9	99.0	98.9 p	99.0 p	99.1 p	99.1 p
Food products	94.8	99.1	100.1	100.1	101.0	101.9	100.7 p	100.7 p	100.7 p	100.9 p
Grain										
Rail carloadings (thou. cars) 2/	26.1	27.2	22.5	24.6	25.0 p	22.7 p	20.7 p	18.0 p	17.6 p	24.8 p
Fresh fruit & vegetable shipments										
Piggy back (thou. cwt.) 3/ 4/	545	570	599	763	590	534	604	668	920	927
Rail (thou. cwt.) 3/ 4/	786	640	509	847	579	566	489	447	690	678
Truck (thou. cwt.) 3/ 4/	7,923	8,006	8,132	10,610	7,665	7,596	8,160	9,143	11,219	10,328
Cost of operating trucks hauling produce 5/										
Owner operator (cts./mile)	114.2	115.5	116.1	114.9	118.4	115.4	113.0	112.7	113.0	112.3
Fleet operation (cts./mile)	112.7	115.3	116.7	116.7	118.9	116.5	113.4	113.3	113.4	112.6

1/ Department of Labor, Bureau of Labor Statistics, revised March 1985. 2/ Weekly average; from Association of American Railroads. 3/ Weekly average; from Agricultural Marketing Service, USDA. 4/ Preliminary data for 1985 and 1986. 5/ Office of Transportation, USDA. p = preliminary.

Information contact: T.Q. Hutchinson (202) 786-1864.

Indicators of Farm Productivity

Table 35.—Indexes of farm production, input use, and productivity¹

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986 2/
1977=100										
Farm output	100	104	111	104	118	116	96	112	119	114
All livestock products 3/	100	101	104	108	109	107	109	107	110	111
Meat animals	100	100	103	107	106	101	104	101	101	100
Dairy products	100	99	101	105	108	110	114	110	117	118
Poultry & eggs	100	106	114	115	119	119	120	123	128	134
All crops 4/	100	102	113	101	117	117	88	111	116	110
Feed grains	100	108	116	97	121	122	67	116	133	124
Hay & forage	100	106	108	98	106	109	100	107	106	108
Food grains	100	93	108	121	144	138	117	129	121	109
Sugar crops	100	101	94	97	107	96	93	95	97	105
Cotton	100	76	102	79	109	85	55	91	93	74
Tobacco	100	106	80	93	108	104	75	90	79	62
Oil crops	100	105	129	99	114	121	91	106	117	109
Cropland used for crops	100	97	100	101	102	101	88	99	98	94
Crop production per acre	100	105	113	100	115	116	100	112	118	117
Farm Input 5/	100	102	105	103	102	99	95	96	98	n.a.
Farm real estate	100	100	103	103	103	103	101	99	n.a.	n.a.
Mechanical power & machinery	100	104	104	101	98	94	89	88	n.a.	n.a.
Agricultural chemicals	100	107	123	123	129	118	105	120	n.a.	n.a.
Feed, seed & livestock purchases	100	108	115	114	108	106	106	106	n.a.	n.a.
Farm output per unit of input	100	102	105	101	116	117	100	116	121	n.a.
Output per hour of labor 6/										
Farm	100	97	106	109	132	140	106	123	135	n.a.
Nonfarm	100	101	99	99	100	99	103	104	104	n.a.

1/ For historical data and indexes, see Changes in Farm Production and Efficiency USDA Statistical Bulletin 657.

2/ Preliminary indexes for 1986 based on August 1986 Crop Production report and other releases of the Agricultural Statistics Board, NASS. 3/ Gross livestock production includes minor livestock products not included in the separate groups shown. It cannot be added to gross crop production to compute farm output. 4/ Gross crop production includes some miscellaneous crops not in the separate groups shown. It cannot be added to gross livestock production to compute farm output. 5/ Includes other items not included in the separate groups shown. 6/ Bureau of Labor Statistics. n.a. = not available.

Information contact: Charles Cobb (202) 786-1803.

Food Supply and Use

Table 36.—Supply and use of fertilizer

(See the June 1986 issue, page 23.)

Information contact: Paul Andrilunas (202) 786-1456.

Table 37.—Per capita food consumption indexes (1967 = 100)

(See the Nov. 1985 issue.)

Information contact: Karen Bunch (202) 786-1870.

Table 38.—Per capita consumption of major food commodities (retail weight)

(See the Oct. 1985 issue.)

Information contact: Karen Bunch (202) 786-1870.

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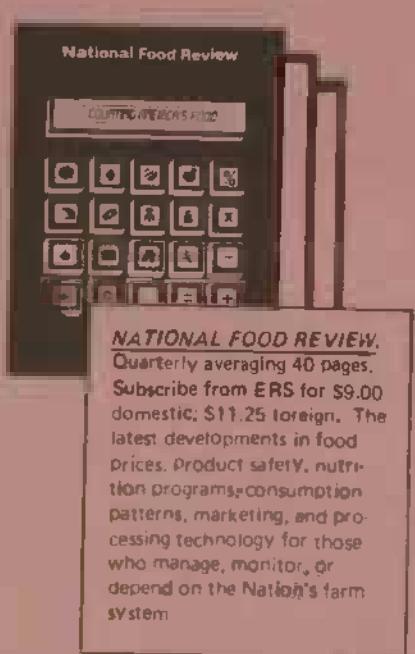
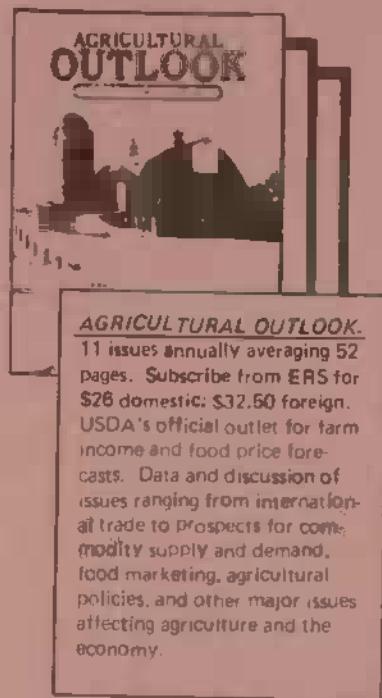
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Cattle and Calf Inventory on July 1, 1986 Lowest Since 1973

Million head

140

130

120

110

100

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